

JPRS-WER-84-141

21 November 1984

West Europe Report

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21 November 1984

WEST EUROPE REPORT

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GISCARD REACTIVATES POLITICAL SUPPORT NETWORKS

Club 'Perspectives et Realites'

Paris LE FIGARO in French 5 Oct 84 p 10

[Article by Daniel Seguin]

[Text] Almost 20 years later (they were established in 1965), the Perspectives et Realites clubs are preparing to make a bona fide return to their origin by aligning themselves more than ever under the protective wing of their founder: Valery Giscard d'Estaing. Tomorrow at Saint-Cloud (Hauts-de-Seine), the general assembly will see itself proposing to approve a new organization. The positions of president and secretary general, occupied by Jean-Francois Deniau and Georges de Bremont d'Ars, will be eliminated and replaced by those of president-founder and delegate general, entrusted to Valery Giscard d'Estaing and Alain Lamassoure.

A change of men aimed at relaunching the Perspectives and Realites clubs somewhat at a standstill since Jean-Pierre Fourcade gave up leadership in 1982.

Political takeover? The answer is tempting in this period devoted to a regrouping of forces within the two currents of the UDF [French Democratic Union]. It must not be forgotten that, thanks to the present statutes, the Perspectives et Realites clubs carry as much weight as the PR [Republican Party] or the CDS [Social Democratic Center Party] in the internal life of the UDF. After having seen the clubs flounder about at the will of each one's ambition during the preparatory phase of the European elections, the temptation was great for the pro-Giscard faction not to let them drift further.

Although it cannot be excluded, this explanation is not the only one. Control the clubs? Why not take advantage of that possibility? But the most urgent thing was undoubtedly to reawaken them. One day, Jean-Pierre Fourcade and Georges de Bremont d'Ars inaugurated the 300th club; at present, 150 are operating satisfactorily. That is still an enviable network, the best set up geographically as a structure of reflexion and it is worthwhile looking into other than through a single national window.

This is the ambition of Alain Lamassoure. Son of a prefect, this "enarque," [graduate of the National School of Administration] 40 years of age, auditor

at the Audit Office, was technical adviser at the Elysee during the preceding 7-year term. Present at the "Thursday meetings" which Giscard arranged shortly after his defeat, he is a faithful supporter of the former president of the republic, determined to use the clubs from the standpoint of their real political weight: the province.

Giscard d'Estaing's return to the leadership of the clubs fits in with the same logic: he wants, first, to occupy the field of ideas; therefore, the provincial network of the clubs interests him, since reflexion rather than engaging directly in the political combat has always appeared to be the primary vocation of the clubs.

Drawing up a Program

To relaunch Perspectives et Realites, Alain Lamassoure will first use what functioned best (national committees) to put that network at the service of what ended up humming (the local clubs). His objective: to draw up for 1985 a program of the liberal opposition which the parties will be invited to pillage as much as possible.

The demagogic approach would be to ask the 150 clubs to reflect. Alain Lamassoure refuses. With regard to specific subjects, he prefers to use documents drawn up at the national level and then submit them to the local clubs, giving them the task of amending and enriching them.

"The added value of the clubs is the representative nature of the local clubs," stresses Mr Lamassoure, who will entrust to a directorate the task of organizing shuttles between Paris and the provinces. Moreover, the documents submitted for discussion will not come only from the clubs. In this respect, two UDF committees have already made a serious study with regard to defense and the economy. Why deprive ourselves of that study? On the subject of education and information, the Council for the Future of France (CAF), set in motion by Giscard d'Estaing, has already drawn up some proposals. Why not use them?

Alain Lamassoure intends to devote considerable attention to the success of these shuttles which will furnish raw material to the local clubs and enable the national leaders to remain in direct contact with the sensitivity of public opinion.

"In the proposals for 1986 we must again find expressed the concerns and vocabulary of the France which is experiencing a crisis, is suffering and is fighting back. The more the socialists fail, the more the French people will demand of us. We do not have the right to make a mistake and deceive them," Mr Lamassoure emphasizes.

Tomorrow, in connection with the questions of reform of the statutes linked with this reorganization, there are also plans for a discussion on the issues and stakes of the parliamentary elections of 1986 and two speeches by Valery Giscard d'Estaing. In the afternoon he will speak on "what the Auvergnat constituents of both sexes told me and what they expect," and in the evening he will conclude by relaunching the clubs, "his" clubs.

Council for Future of France

Paris LIBERATION in French 6-7 Oct 84 p 6

[Article by F.R.-L.]

[Text] The former president of the republic, who is using the platform of ideas to recapture public opinion, has two available tools: the Council for the Future of France and the Perspectives et Realites clubs of which he is today again becoming president.

Although one may not like him personally, one cannot reject his ideas. After the publication of "Two Frenchmen out of Three," Giscard, as president-founder, is preparing to reactivate the Perspectives et Realites clubs, meeting today in general assembly at Saint-Cloud.

With the CAF established in 1982, the former president is now at the head of a machine whose purpose is to produce "post-Socialism ideas." Faced with a UDF strongly contaminated by the influence of Raymond Barre and with a parliamentary group gravitating in close orbit around the former prime minister, Giscard is attempting to leave the terrain not entirely free to his rival while exercising his competitive effort on a somewhat different objective.

In fact, the Perspectives et Realites clubs are regrouping in a very ecumenical manner all the trends and undercurrents of the liberal-centrist rainbow. It is not a question of bolting the door but, rather, of being radiant: Giscard imagines that the elections will be won on proposals for the third millenium. By requesting Jean-Francois Deniau to leave his place at the head of the clubs, which he was occupying rather nonchalantly until last June--he had succeeded Jean-Pierre Fourcade in 1982--Giscard intends to take an active part in the work of the clubs. With an ambitious objective: "to prepare the government program of the liberal opposition, Giscard and Alain Lamassoure, an arbitration adviser in the Audit Office who is thus making his official entrance into politics, are going to roll up their sleeves. A system of shuttles between the 10 national committees and the 140 parent clubs is to be installed: reports written up under the iron rod of Giscard d'Estaing on the national level "will descend" to the provinces where they will be presented by Alain Lamassoure and various reporters.

Giscard d'Estaing, who founded the Perspectives et Realites clubs in 1965--with the objective of preparing "the transition from Gaullism to liberalism--has retained particular "affection" for this network. He believes that his success in 1974 is not foreign to the action of these dispensaries and hopes that study of the Giscard thinking by club members will enable him to regild his coat of arms.

Upstream from the clubs Giscard has another apparatus to produce liberal ideology. It is the CAF, an elite club over whose meetings he presides each month and whose work groups are enlivened by Raymond-Francois Le Bris, a former prefect and former director general of education and research. CAF

reports are at the top of the scale. "They give the broad outlines of future society," CAF's creator explains in substance, and he also expresses satisfaction that the Senate, in a recent bill on education, used part of the proposals contained in the CAF report on this subject. The clubs and CAF are working hand in hand: "The CAF is producing equitable ideas," Lamassoure says, "and the clubs, productive ideas." The literary style, vocabulary and formulas intended for the public as a whole are the responsibility of the Perspectives et Realites clubs.

It seems that Giscard's ambition is to appear as the one who presents the most ideas for the future, thus captivating the aspirations of French society. Moreover, one of his close advisers asserts that the political parties and traditional structures of political representation are lagging behind the country's sociocultural currents: "Politicians and intellectuals have little influence on a society which, for the most part, is evolving by itself," the adviser observes. Therefore, a national leader should stick as closely as possible to the aspirations of "two Frenchmen out of three." In forcing himself to formulate and rubber-stamp the ideas of what he calls "the central bloc," Giscard wagers that the French people will again get their bearings some day, if not through him, at least through his ideas.

Giscard places himself clearly on the same starting line as that used by Jacques Chirac: they both intend, as early as the summer of 1985, to present a government program to take effect after 1986. This afternoon Giscard will speak twice during the general assembly of the clubs. He wants to be a part of "what the Auvergnat constituents of both sexes told me and what they expect."

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CSO: 2519/28

JOSPIN DISCUSSES MODERNIZATION OF PSF, GOVERNMENTAL ROLE

Paris LE MONDE in French 23, 24 Oct 84

[Interview with Lionel Jospin, first secretary of the Socialist Party, by Jean-Louis Andreani, Jean-Marie Colombani and Philippe Labarde; date and place not specified]

[23 Oct 84 pp 1, 11]

[Text] [Question] Today the pie a la mode, if we may so call it, is the word "modernization." Is this modernization to be the instrument to be used by the PS in its conduct of an in-depth self-renewal, to bring its ideology into line with governmental practice; or is it in fact a notion that must be entirely understood in relation to the realm of industry?

[Answer] The modernization of socialism, which certain people are inviting us to accomplish, does not consist of emptying it of its substance. In governmental practice, of course, this would be a serious matter for socialists, a turning of their backs on historical goals. This is not the case with the action taken since 1981. Yet neither is it possible to judge our vision of socialism, our historical action on behalf of socialism, by the exclusive measure of three years of government. We never said that we would create socialism in three years. And socialism cannot be reduced to an economic policy. The problem is not henceforth to copy the party line, its "ideology," as you put it, from governmental practice; it is to defend this practice, but also to put it into perspective in the light of our values and our long-term plan. Our values must be modernized if the experience of governing justifies it, but also they must be strengthened and lived by the socialist even beyond the governmental action. When a ship reduces the amount of its canvas before an approaching storm, this does not mean that it must change its cargo or the purpose of its trip.

[Question] Has not one of the weaknesses of socialism in France lain in not making a certain number of revisions before coming

to power, as others have done before you, either before their coming to power, such as the Germans, or as they go along, like the Swedes 40 years ago?

[Answer] The cases of Sweden and Germany are very different from ours. The dominant culture and political power in the history of modern Sweden has been social democracy; that is a simple fact. As for us, we are emerging from a historical period in which, except for a few moments of convulsion or a spectacular failure of the right, which bring the left suddenly into power (for reforms of great range and long duration), the dominant thrust of politics has been to the right. Moreover, the socialist power has been historically pinned between a very strong communist party on the left, and this dominant right.

We cannot compare ourselves to Sweden; our problem is to preserve a part of the forward movement which the victory of 1981 represented. We were credited as socialists with a gain that did not correspond with our actual position in the country. By the physical effect of Mitterrand's victory, a victory much more complex in its significance than we thought, the Socialist Party has obtained an electoral victory that has no common measure with its real power. Whence the inevitable fall, accentuated by the stringent brand of politics.

And our historical problem is to become lastingly, that is to truly become--as both an electoral force and a movement--what was given to us all at once, but in a very provisory manner, in June 1981. I truly believe in this perspective for my party, and it must give confidence to socialists.

As for the reference to Germany, I do not believe that the Socialist Party needs a Bad-Godesberg to ensure its development.

The Bad-Godesberg congress--that is to say, the abandonment of the Marxist reference and the definition of the social-democratic party as no longer a workers' party but a party belonging to all of society--is the product of the situation of Germany after the Second World War. It is the product of the frightening defeat of the German worker movement in the face of Nazism; it is the product of the highly unattractive counter-example of "socialism" as represented by communist East Germany after the division of Germany into two nations. It was impossible for the social-democratic party to regain credibility despite its potential force, if it did not reject this tradition, because it appeared ludicrously distorted from 100 kilometers away. Bad-Godesberg represents a comet-tail of the traumatism of the thirties. I believe that we do not need such a thorough auditing, particularly because our bases of departure--for ex-

ample, on Marxism--were not the same. Seen in the light of a critical conjuncture, we are more needful today of recalling our values than of casting them overboard. That is why I believe that the existence and reaffirmation of the Socialist Party have never been so necessary.

[Question] To get back to the comparisons with Germany and Sweden, no one would think of saying: Those people "come to power" and then betray us. Because they have declared themselves from the very first to be social-democrats and therefore potential handlers of the crisis, whereas, by referring to an ideology, you on the left are charged with treason.

[Answer] What is this "treasonous blow" that socialists are accused of striking? Our brand of politics is first and foremost socialism, because it is administered by socialists. One must first be convinced of that. The PC may make changes, it may be in the government or no longer in the government, it may be for the dictatorship of the proletariat or against the dictatorship of the proletariat, and it may be for union or for division; no one will say that it is no longer communist. When the right changes its economic policy completely--it was keynesian and is now ultra-liberal--people still say that it is the right. Why should the socialists stand alone in not being able to bend a policy somewhat without being accused of betrayal?

We are put down as leftists by two cultures. The first is what I should call the "Christian culture"; it postulates that if we do not succeed as well as we should like to, or if we fail on such or such a point, then we are guilty; the Christian culture relies on guilt-placing. I say to the followers of the Socialist Party: We are doing as best we can what we believe to be fair, we may win or lose, it is better to win, but in any case, get it out of your head that you are guilty!

The other culture that characterizes the left is the "revolutionary" culture. Because we are the product of the French Revolution and belong to the country which has fomented the largest number of revolutions, we always pose the problem in terms of reference to a revolution, whether explicitly or implicitly; thus we are always in the process of supposing that the revolution has been betrayed, even when one has no calling to do this. We must break with these two cultures and substitute for them a democratic culture. Neither God in His heaven of morality nor Marx in his heaven of ideas is there to render judgments against us. On the earth of democracy, only the people express themselves by means of elections. They neither blame nor bless. They set aside, preserve or take up again, all of which is quite a different matter.

I Do Not Want To Make the PS a "Catch-All" Party

[Question] May we take up the second part of my reference to Germany? You said: Bad-Godesberg meant the appearance of a catch-all party. But in the system of the Fifth Republic, is this not the only salvation for a party that wants to be the dominant party? Must the Socialist Party not reaffirm itself as the "catch-all" party? As in the case of the Gaullists, everything can be accomplished through adaptation.

[Answer] The two experiences are different. Francois Mitterrand came to power without great fanfare. De Gaulle came to power in the midst of the Algerian crisis, and by making use of it. It was the Socialist Party that brought Francois Mitterrand into power. It was de Gaulle who built up the UNR [Union for the New Republic] and later the UDR [Union of Democrats for the Republic (Gaullist Party)] on a power-base. Before 1958 there was no great Gaullist party. In this lay the victory of de Gaulle: it allowed for the structuring of a powerful Gaullist movement on a power-base and under conditions in which the left has been forever left weak. On the other hand, the victory of Francois Mitterrand was a victory without trauma, and the relationship of strength with the right was not substantially changed. We won, but six months after our victory, the right had reconstituted its forces. Therefore one cannot absolutely compare the way in which a catch-all party was able to pull itself together after the victory of de Gaulle and the way in which a great PS would have been able to come together after the victory of Mitterrand, and still must do so.

[Question] What was lacking, that this kind of PS did not pull itself together?

[Answer] A movement such as the RPR [Rally for the Republic], because of its authoritarian tradition, its taste for heaven-sent leaders (even if Chirac is no more of a de Gaulle than Napoleon the Small was a Napoleon the First) may evolve around a man, in and for the sake of national power.

The Socialist Party, because of its history, needs to live another kind of life. I do not want to turn the PS into a catch-all party, but I should indeed like to contribute over the next decade to making the PS the great French political force on the left and on the French political chessboard. That is the task that lies before us for the next 10 years.

[Question] But will you have the time? The year 1986 is coming.

[Answer] I say to the socialists at this time: Do not confine yourselves to the problem of 1986. Do not be possessed by anxiety: in a democracy one may be beaten by the universal suffrage itself. Let us do what we believe to be just. Let us conduct our political lives by fixing for ourselves perspectives that go well beyond 1986. It will be indispensable at the end of five years of power, to propose another contract to the nation and first of all to the leftists. The people will have to judge our brand of politics and our new proposals, not only by comparing them to what we wanted to do or to what they were hoping for; they will have to examine what the right does elsewhere and what it would do in France if it came back into power.

For the moment, the right is riding high on the wave of dissatisfaction, but at a given moment it will have to come down from its surfboard and say how it would run the ship. I believe that at that moment the question of maintaining the socialists in power or returning the right to power will be asked in its true dimensions. What alternative is the right offering if not such a brutal brand of politics that it would lead without delay to disorder? That is why I think that the PS is critical in the coming period. It is being struck at from the right and the left. For it is the one party, provided it is united, reorganized and combative, that will be the decisive element in the legislative elections of 1986.

[24 Oct 84 p 12]

[Question] Faced with the anti-government wave, the PS becomes discreet: is it a question of tactical choice or fundamental evolution?

[Answer] In France as in other capitalist nations that have developed along democratic lines, there is a tendency to reject government or to criticize it. The government was well received as long as it was conceived above all as a protector. People accepted its growing interventions, including those made in the daily lives of people, because its action was linked to positive results: growth, jobs, wage-increases, social protection, etc. But as soon as there is a crisis, the government is first perceived as fussy, interfering, paralyzing. Leaning on these varied feelings, certain powerful interests are presently attempting to take a historical revenge on the government, which more and more had come to repress them in the name of the collectivity!

The PS has always felt that the government should be a regulator, that it embodied the general interest in a certain way. From that point of view, it adopted the ideas of Hegel rather

than those of Marx. Since 1981 it has acted in conformity with this double approach: it increased the capacity for government intervention, particularly with the various nationalizations, and at the same time it tried to change the government, for example by implementing a plan of decentralization.

Faced with a systematic but often over-hasty offensive against the government, the role of the PS is to stabilize the government's role as the incarnation of the general interest, the instrument of a minimum of solidarity and also one of the controls on economic development in France.

[Question] By turning the decrease in the obligatory tax-levy into one of the axes of your economico-political line, do you not give credit to the idea of a government that is budget-consuming and ineffective?

[Answer] I think that the choice of the president of the republic does not epitomize an economic philosophy or a conception of government. It expresses the willingness to break the trend toward a continuous increase of obligatory taxes begun before us, in the previous seven-year period, but pursued and accelerated by us. And the feeling of the president of the republic was that if nothing was done voluntarily and visibly, that is to say, clearly translatable in terms of the tax forms (whence the constraint, the obligation to favor lessening direct taxes, which poses a problem for the socialists), then the tendency towards increasing the obligatory tax-levy would be irresistible. In a country as sensitive to taxes as France is, this was a development that he considered dangerous.

In my opinion, his choice means that and only that. It is up to us to show that public administration can be effective. It is social security balancing itself, it is a certain number of public enterprises that have accomplished something, it is an administration that tries to get closer to the citizens.

[Question] When you say that in the mind of the president of the republic it was a question of breaking a trend, was it not therefore a question of how one could interpret it, or a first step toward less government?

[Answer] Let us not present the problem in such simplified terms: to be for "more government" or to be for "less government." Historically, the industrial revolution in France and the rapid economic development after the Second World War happened thanks to government encouragement. Without the intervention of the government, a sufficiently strong economic development is not possible in France. We do not have in our country a true class of organizers. We have a few effective

directors of enterprises, but overall, French capitalism is weak: turned toward the domestic market, it looks to chance income or short-term profit rather than investment or industrial risk-taking.

It is within this framework, not for ideological reasons but for practical and historical ones, that the government has been led to play this role in France. And I believe that those who, by a purely ideological party line or in order to take the opposite view of what they believe to be socialist thinking, try to break this instrument and this consensus supportive of the government in France, are playing an irresponsible game. Either they would do what they say, and that would be dangerous, or they would not do it, so why do they say that they would?

We Are Witnessing a Disguising of Reality

[Question] Let's get back to the obligatory tax-levy. A smaller levy means fewer direct taxes.

[Answer] That is a problem! I have said that the practical justification of this choice is that if one wanted the French to feel that an effort was being made, they would have to be able to read it on their tax forms. There has thus been a tendency to lessen the share of direct taxes. But I must say that if that were to set in motion a more lasting evolution and overturn the socialist conception (of having recourse more to the direct tax as being fairer, than to the indirect tax, the more unfair), this would be detrimental. It would be incumbent on the leader of the PS to recall that the outlook of the socialists is indeed to appeal more to direct than to indirect taxes. I am trying to state it clearly, because that appears to me to be one of the basic ingredients of the socialist message and one of the areas in which people must not let themselves be taken in by prevalent notions or the mood of the times.

[Question] In speaking of prevalent notions, what feelings does Alain Minc inspire in you when he offers the reflection that "the left will be liberal or it will cease to exist."

[Answer] The left will always exist. In the last three decades, prophets or analysts have several times announced the death of the working class or the death of the left. I believe that for social, historical and cultural reasons, however, there will always be a left in France. On the subject of liberalism, we must understand one another. Liberalism has a good press because the word evokes the affirmation of the individual and the defense of individual freedoms.

I note in fact that those who are liberals in matters of economy are not necessarily so in matters of politics. They are often very authoritarian and sometimes even manifest indulgence for dictatorships, in the under-developed countries, for example. For in the countries which in recent years have served as fields of experimentation for these purists of economic liberalism--Argentina, Chile or Brazil--political liberalism has been their first victim.

[Question] It remains that we are witnessing at this time an explosion of individualistic tendencies, of which communication technicians say that it is one of the most striking phenomena of recent years. Are you not in contradiction with the very evolution of society? For the notion of solidarity, decisive for the left, contradicts the in-depth evolution of society, which leads to more autonomy.

[Answer] We must understand this evolution and take it into account, but also resist it. For one is witnessing a disguising of reality. What people are being made to believe is not necessarily what is happening in the real world. Let us take the example of television: every person is reached directly, but from a single center. There would be real progress in individualism if every person were given the possibility of serving not only as a passive receiver but also as a broadcaster. Presently the right has a "line" that focuses on individualism, but its policy would not lead to the individual's progress in relation to the power of the enterprises or the media.

[Question] But at the same time, there is an individual who is supposed to be seeking more autonomy, who is supposed to have more choices in his personal options because he has perhaps a bit more free time, etc: that leads on the political level to a more pragmatic but less ideological behavior. Now you are the bearer of an ideology and of values of solidarity which appear somewhat to contradict that evolution?

[Answer] Every man and every woman makes his or her own life or tries to make it. And the more personal options each one has, the better. What is at stake here is not such and such a particular man but all humankind taken in particular. This is why, contrary to what rightists say, it is progress in terms of equality and solidarity which allows for the greatest number of successful individual evolutions. Is that not true individualism? But does it not embody itself in democratic socialism? AS for ideology, I find that recently the right has been more ideological than the left. In economic matters, the men who surround Ronald Reagan are much more ideological than those who surround Francois Mitterrand.

[Question] You just said that the right is more ideological than the left, and that the left, at least during this period, is pragmatic.

[Answer] We should also speak about Mrs Thatcher. The way in which she denies a certain number of realities strikes me as completely ideological. The best proof is that reality takes its revenge. Look at what is happening in Great Britain: a very high rate of unemployment (14 percent) that continues to grow, weakened investments and a decreasing rate of savings, social tensions marked by serious strikes and a national foreign policy which creates problems for Europe. If Great Britain did not have its oil wealth, the nation would be confronting disaster right now. That is where ideology and the practice of neo-liberalism lead.

Our Policy Is Not a Total Success

[Question] How do you explain that public opinion disputes with you the administrative role that you want to assume?

[Answer] It is disputing this role with us because our policy is not a total success, that is obvious. As far as one goal that we have clearly set down (the struggle against unemployment) is concerned, there is a lack of success. Of course, one may say that if the right had remained in power, it would be more serious. But for the moment, taking into account the weight that that commitment had in the promises of 1981, people are saying about this matter of unemployment: "It is not a success." You will ask me: "Why do the president and the government persist in a strict policy that is visibly unpopular?" It is that we have a clear awareness that the choice of a policy that would free itself from economic and financial restraints would no longer pose the problem in terms of the relative administrative effectiveness, but in terms of financial bankruptcy risks.

We do not have the means to take the economic risk of a success based on temporary popularity, by establishing a broader policy, by raising salaries immediately or by maintaining artificial jobs, for example. The choice that is made consists therefore in taking the political risk (clear in 1986) of an economic success, to allow for lasting political success for the socialists. What remains between now and 1986 is to establish the correct proportions of economic ingredients on the one hand and political and social ingredients on the other.

[Question] Did you not in 1981 carry off a political victory to the detriment of economic realism?

[Answer] Perhaps there were certain people in the PS more prudent than those--among whose number I found myself--who finally determined the orientation of the party. But they were so prudent in everything. Before 1981 we confronted reality honestly. On the other hand, I believe that we had very little experience of real power, and in relation to ourselves, we had an excessive degree of illusion. I think that we did not politically separate economic realities; we were partly disillusioned about them or about our capacity to cause them to change rapidly.

[Question] How do you explain this much lack of preparation? After your penchant for political over economic matters while you were in the opposition, is there not now perhaps an excessive forsaking of the political in favor of the economic?

[Answer] When one is in the opposition, political matters necessarily take precedence over economic ones: look at the right in the opposition: its dominant themes are political and not economic. But it is an oversimplification now to say: you were mistaken about the economic reality. It was not evident, on the one hand, that the world conjuncture would turn out exactly the way it has, and on the other hand that a certain number of developed countries, particularly the United States, would go so far in terms of national self-concern: the first world power, the first country of the Atlantic Alliance, has never integrated world realities and in particular the problems of those who are theoretically its friends and partners so negligibly into its political and economic choices. Even so, that is a new fact! Imagine if we had had the Reagan administration at the time of the Marshall Plan, when the reconstruction of Europe was at stake. I don't know what modern Europe would be like!

In other respects, if we had known that the machinery of production was so run-down, if we had been more aware of the poor reaction potential of our economy, we would have been more prudent. Of course, this new realism should not lead us to abandon henceforth a "socialist" style of administration. Since we know that it is difficult to quickly broaden the national income, it will be incumbent on us in the second legislature to take better care that it gets off to a better start. It is in this direction that I shall invite the PS to turn its thoughts. To work in such a way that the struggle against the crisis--which will continue--will be shared more fully than it is now.

8117

CSO: 3519/80

REPORT ON SEGUY, PEACE DELEGATION VISIT TO CHINA

Paris L'HUMANITE in French 5 Sep 84 p 8

[Article by Laurent Ballouhey: "Peace Meetings in Beijing"]

[Text] Beijing, 3 September--The delegation of the One Hundred's Appeal, the first peace movement to be invited to China since that nation announced its decision to renew its relations with different pacifist organizations, yesterday ended its visit with a talk in Beijing, in the Great Hall of the People, with Qian Changzhao, vice president of the Chinese People's Political Consultative Conference, a type of Senate or Council of the Learned, and at the same time one of the main leaders of the Association for International Understanding.

During their stay in the provinces, biologist Albert Jacquart, actor Claude Pieplu, and Georges Seguy met numerous political, intellectual and religious figures such as the great imam of the mosque at Xi'an, the Protestant bishop of Nanjing and the famous stage actor Yuan Shunkai in Shanghai. This visit to the provinces followed the discussions that the three signatories from the One Hundred's Appeal had held ever since their arrival in Beijing with Li Yimang, president of the Chinese Association for International Understanding and its director general, He Ziqu.

Thus they were able to realize how closely China's stated wish to bring its weight to bear on peace, disarmament and reduction in international tensions, corresponded with a popular aspiration deeply shared at all levels of society. A meeting with the press yesterday in Beijing gave Professor Jacquart the opportunity to express regret that the media in France, unlike in the United States and the Soviet Union, are keeping a veil of silence over this new concept of "nuclear winter" which shows the folly of the arms race and the absurdity of seeking nuclear superiority, inasmuch as he who aims kills himself at the same time he kills the one he aims at.

He stated: "Because of the force of the weapons involved, a small, even limited, nuclear conflict would in fact end in the total destruction of the northern hemisphere and no doubt of the southern hemisphere, where all life

would disappear, with no hope of finding an illusory 'shelter' as some claim." The biologist then called for "dismantling this infernal machinery" of the arms race which "no one can any longer make use of without committing suicide himself."

For his part, Georges Seguy has drawn conclusions from the discussions held in Beijing and confirmed by the various meetings in the provinces "the language used today by the Chinese officials" he noted, "and in complete contrast with some of their former positions. This very interesting development is accompanied by a desire to have a new role and to fit into the vast movement for peace and disarmament," said Georges Seguy while adding: "There are not only statements which modify previous positions, then, but also a concrete commitment in a positive sense."

The Chinese officials then seemed anxious to participate in international detente, while at the same time indicating that heavy responsibilities in this area are incumbent on the two superpowers, but they also seemed anxious to reduce the cost of the arms race which is imposed on their country and which constitutes a serious handicap to carrying out their economic objectives.

"We would very much like to be relieved of this burden to which we are unwillingly subjected," they said in substance, while linking disarmament and economic development.

At the end of their visit, the three representatives of the One Hundred's Appeal invited a Chinese delegation to come to France on the occasion of the National March for Peace which will take place in Paris on 28 October, an invitation to which the Association responded favorably.

9895

CSO: 3519/19

BRIEFS

STIRN PURSUES CENTRIST MOVEMENT--Today we are in unexplored territory. The era of a France cut in two is over. Olivier Stirn, author of these thoughts, sees therein an additional reason to pursue his centrist experience with the UCR (Radical Centrist Union) which he founded on the eve of the European elections. Yesterday the deputy from Vire presented his re-entry program: a book in January on the movement's doctrine on behalf of a "social democracy," an administrative committee in December and, more prosaically, some bills which he will submit to the Assembly to serve as guidelines for the UCR. The first of these concerns a proportional arrangement: a third of the seats would be assigned in accordance with the proportional ballot within the regional framework. This method of balloting would be initiated while preserving the present number of deputies. However, he does not discount the hypothesis, equally worthy of consideration, whereby the number of those elected would be increased to 605. The assignment of seats by the proportional method would be achieved by using the technique of the strongest remainder. This is a calculating method which favors small parties. It is not because one is in the UCR that one is necessarily suicidal... [Text] [Paris LIBERATION in French 6-7 Oct 84 p 6] 8568

RECENT POLL RESULTS--Going down. Francois Mitterrand is losing two points--38 percent of the people have confidence in him--whereas opposing opinions are increasing from 56 to 57 percent, according to the SOFRES-FIGARO-MAGAZINE poll. The share enjoyed by Laurent Fabius is now fixed at 50 percent positive opinions (53 percent the previous month); as for negative opinions, they rose from 27 to 31 percent. This decline is also affecting Michel Rocard (56 to 51 percent), Jacques Delor (47 to 40 percent), Lionel Jospin (30 to 26 percent) and Pierre Mauroy (22 to 16 percent). Only Jean-Pierre Chevenement is rising (24 percent compared with 22 percent). In the opposition party only Raymond Barre and Simone Veil are running neck and neck at 46 percent each (+4 percent for the former, -2 percent for the latter). Jacques Chirac gains one point (42 compared with 41 percent) and Valery Giscard d'Estaing four points (from 30 to 34 percent). [Text] [Paris LIBERATION in French 6-7 Oct 84 p 6] 8568

CSO: 3519/28

DIFFERENCES DEVELOP BETWEEN OLDER, NEWER EANES SUPPORTERS

Lisbon SEMANARIO in Portuguese 4 Oct 84 p 11

[Article by Jorge Fiel: "Will an Eanist Party Be Born in Feira?"]

[Excerpts] Contrary to what various media reports have said, the probable birth of the new Eanist party, scheduled for the middle of this month, will not take place in the city of Aveiro, but in Vila da Feira, a locality in the district of Aveiro, near Oporto, instead.

With the problem of the location of the founding congress settled, Eanists in the northern area are now facing more important issues, including the explosion of differences in emphasis between the "historic" Eanists and the more recent adherents, in which struggle the neophytes have seemed to win out over the older faction.

To the regret and concern of the Oporto PS [Socialist Party] District Federation, the individuals making up the Eanist secretariat in that district are for the most part socialists who are critical of Soares but who hold important posts or have influence in the party structure.

The socialist municipal deputies Jose Maria Dias de Carvalho (who is in fact the PS leader in the Oporto Municipal Assembly), Gomes Carneiro and Fernando de Almeida are PS militants who already have responsibilities in the proto-structure of the Eanist party.

Identifying the Turncoats

While the PS in Oporto is attempting, without (for the time being) recourse to private detectives, to identify the turncoats (it is said that the socialist section in Rio Tinto, municipality of Gondomar, has gone over bag and baggage to the party of the president), discontent, desertions and estrangements are to be found in the traditional Eanist sector due to the affiliation with the movement of individuals with past histories and ambitions which are in no way above all suspicion.

Commander Goncalves Gomes, one of the great financiers of the reelection of Eanes, and a man with great wealth, prestige and influence in Belem (whenever Eanes goes to Oporto as a private citizen, he stays at the home of Goncalves Gomes and makes use of one of this businessman's cars), is one of the leading personalities in the Eanist movement who may withdraw at a decisive moment in

the launching of the party, since he views with mistrust those attempting to climb on the bandwagon for personal gain and success during its last stop before arrival.

Socialist Fernando de Almeida is currently one of the strong men in the Eanist movement in Oporto, after succeeding in influencing the former regional CNARPE head, council member Rui Guimaraes, an individual with great prestige but now well on in age, is in the view of the "historic" Eanist faction an individual very likely to be influenced by "opportunists and upstarts."

Identifying the Candidate

But it is not only this influx of Eanists of recent date which is of interest and concern to the "historic" faction. Questions of an organizational and political nature are also raised.

"I want to know for certain which candidate for the presidency will be sponsored by the president. I am ready to sacrifice activities with my family and my free time for a cause and an individual. But I also want to know who that individual is," one of the historic faction in Oporto, an individual with weight and the ear of Eanes and his entourage, confided to us. He made a point of adding that the points on which he differs with the current leaders of the movement do not by any means mean he will move away or weaken his personal support for President Eanes as an individual.

The spectre of the candidacy of Admiral Almeida e Costa, from whom Eanes and the movement making use of his name as a symbol have not yet publicly distanced themselves, is one of the thorns in the flesh of the Eanists in the northern area.

No Easy Task

In order to put out all of these fires which have flared up just prior to the founding congress, a national delegation of the Eanist movement has recently traveled to Oporto to play the thankless diplomatic role of "firemen," in an attempt to calm the historic faction and bury the hatchet among all of the friends of the president, longstanding or recent.

From all that we could learn, it is unlikely that this effort by the central Eanist headquarters will be successful, so serious are the existing differences.

A public statement by the historic Eanists in the northern sector had been postponed (pending this visit) but is to be released shortly, setting forth all of these wounds which SEMANARIO is now reporting firsthand.

When all is said and done, as a dyed-in-the-wool Eanist commented, "we want to know if this business of the party being born on the provincial level is really true and should be taken seriously, or if it is merely a well-planned political-party marketing operation."

PSD GRASS ROOTS FAVOR PARTY AUTONOMY

Lisbon SEMANARIO in Portuguese 4 Oct 84 p 10

[Text] A survey made by the PSD [Social Democratic Party], to which 33 percent of the independent bodies and 21 percent of the local sections of the party responded, justifies certain indicative conclusions about the opinions prevailing at the social democratic grass roots level. Although 51 percent of the independent bodies and 52 percent of the sections supported the AD [Democratic Alliance] in the earlier elections for the self-governing bodies, the overwhelming majority (85 percent and 69 percent, respectively) want the PSD to participate in the elections without alliances. On the other hand, 79 percent of the leaders of party sections believe that the presidential elections may influence the elections for the self-governing bodies.

But the most indicative opinion was that on the transfer of votes. It was noted that those questioned believe in an outcome slightly favorable to the CDS [Social Democratic Center Party] (20 percent of the transfer from the PSD to the CDS, and 14 percent in the other direction), while they are convinced that there will be a heavy margin favorable to the PDS in relation to the PS [Socialist Party] (4 percent from the PSD to the PS, and 33 percent in the other direction). These views must however be analyzed within the framework of the relative optimism as to the party potential (29 percent believe that the party will gain in the elections, 49 percent that it will maintain its influence, and 12 percent that it will decline).

The survey was made under the auspices of the office of the secretary general, with a view to preparations for the meeting of independent bodies held in Oporto in September. Antunes da Silva attended that meeting, but without having been instructed by Mota Pinto to do so, as this leader made a point of informing us, thus he denied the rumors we had reported concerning the trip he made, which were, moreover, reported by various other media.

5157

CSO: 3542/14

RENAMO FAVORS PORTUGUESE AID IN PEACE NEGOTIATIONS

Lisbon DIARIO DE NOTICIAS in Portuguese 5 Oct 84 p 8

[Text] "The RENAMO would view Portuguese participation in the process of negotiations toward peace in Mozambique favorably," the spokesman of that organization for Europe, Jorge Correia, stated tonight in Lisbon.

At a press conference, Jorge Correia said that the participation of the neighboring countries to Mozambique, such as Malawi, Zimbabwe, Swaziland and South Africa, in a mixed verification commission to be established pursuant to the Pretoria statement made public on Wednesday would be equally welcome.

However, the RENAMO spokesman added that the organization "has proposed Portuguese participation in the peace process as a mediator a number of times," with no response from the diplomatic officials in Portugal.

"Portugal is systematically missing the train of history. It is a country which never responds, or when it does, the moment has already passed," he said.

Correia reiterated that the RENAMO is opposed to the exclusive participation of South African troops in the verification of a possible cease-fire agreement with the government troops.

"And if there is no agreement," he added, "the current South African presence in Mozambique will be viewed by the RENAMO as an internationalization of the conflict, with all of the consequences resulting therefrom."

He said that there is not as yet a cease-fire, but that the RENAMO "believes that peace is possible."

5157

CSO: 3542/14

ESTABLISHMENT OF PLO OFFICE IN LISBON EXPECTED

Lisbon EXPRESSO in Portuguese 5 Oct 84 p 1

[Text] The Portuguese government and the PLO may sign a protocol in Lisbon or another capital city next week paving the way for allowing the establishment of a diplomatic representation of this Palestinian organization in Lisbon by the end of the year, an Arab diplomatic source informed EXPRESSO yesterday.

The two parties have been negotiating with this goal in mind for some time, and are now close to completing negotiations and achieving results, the same source said.

A government source had no comment on this report, stating only that negotiations are proceeding normally.

According to other sources, the Portuguese government is currently studying the type of juridical status it will allow the official representation of the Palestinian Liberation Organization, and, to this end, is examining the status granted to comparable missions assigned by that organization to Western European countries. The PLO has an official, who does not enjoy diplomatic status, in Lisbon.

A major opportunity for significant advances in the process of establishing a representation in Lisbon may develop during the scheduled visit of our minister of foreign affairs to Tunisia next month. It is in the Tunisian capital, Tunis, that the PLO has its main headquarters, and Jaime Gama is to meet with Palestinian leader Yasser Arafat during this trip.

Negotiations are in progress through normal diplomatic channels in this connection, and both MNE [Ministry of Foreign Affairs] and PLO sources have spoken of the mutual interest in such a meeting, although they could not as yet confirm that one will be held.

During his stay in the Tunisian capital, Jaime Gama will also meet with the secretary general of the Arab League, Chedli Klibi.

However, no negotiations with a view to the establishment of a Portuguese embassy in Israel are as yet under way, and it is not expected that there will be any developments in this connection before the end of the year, a reliable source told EXPRESSO.

It will be recalled that although Portugal and Israel maintain diplomatic relations on the embassy level, there is no Portuguese representation in the Jewish state, although there is an Israeli mission in Lisbon.

SWEDISH COMMUNIST PARTY DELEGATION VISITS

Lisbon AVANTE! in Portuguese 4 Oct 84 p 2

[Text] At the invitation of the Central Committee of the Portuguese Communist Party, a study delegation representing the Swedish Left Party-Communist (PE-CS) paid a visit to Portugal from 22 to 29 September to learn about the work of the PCP [Portuguese Communist Party] in the mass organizations. The delegation included Tora Priberg, a member of the Central Committee of the PE-CS, Kaj Andersen and Jan-Olof Karesson.

The study delegation was welcomed at the Central Committee offices by Alvaro Cunhal, secretary general of the PCP, and its members met with a delegation including Domingos Abrantes, a member of the Secretariat and the Political Commission of the PCP, Rosa Rabiais and Antonio Mota, both members of the Central Committee of the PCP.

During its stay in the country, the PE-CS delegation held meetings with party organizations on various levels, coming in direct contact with aspects of the work of the PCP in the region of Lisbon, Setubal and Santarem. It toured the National Metallurgical Enterprise, the Alfredo Lima Cooperative and others. The delegation was welcomed by the respective municipal councils in Setubal and Santarem.

The visit paid by this study delegation came about within the framework of the relations of friendship and cooperation existing between the PE-CS and the PCP.

5157

CSO: 3542/14

POSSIBLE REORGANIZATION, RAMIFICATIONS OF FP-25

Network Reorganization Reported

Lisbon EXPRESSO in Portuguese 29 Sep 84 p 20

[Excerpt] The operation against the FP'S [People's Forces] may have destroyed only part of the network. Nevertheless, according to well-informed sources, the resurgence of the organization evidenced in recent actions shows that it is already on the point of reacting in a reasonably well-organized way. However, the sources add, the experts think that there are visible signs of difficulties and they are afraid that preparations for a spectacular action are being made. On the other hand, there is probably still the risk that the reorganization of the FP's may lead to the resurgence of a much more sophisticated organization, the activity of which will be difficult to control.

Judicial sources have told EXPRESSO that the present proceedings against the FP'S are only the tip of the iceberg. According to these sources, there was no investigation (nor will there be) of the possible ties and eventual involvement of the organization with and infiltrations by other movements, some possibly of the extreme Right (infiltrations such as those detected in kindred organizations in Europe). Similarly, tenuous ties that seem to have developed between the FP'S and individuals involved in the bombing network of 1974 and 1975 were not investigated. Allegedly, the fault would lie with the structuring of the police, which does not permit an investigation historically oriented in such a way as to embrace within its purview the entire enveloping fabric of this type of organization.

25 April Involvement Possible

Porto O PRIMEIRO DE JANEIRO in Portuguese 26 Sep 84 p 2

[Excerpts] The investigations of the FP-25 April continue to expand. It is as if a great black canvass covered by outlines of organizational charts were being filled in with human faces.

However, there should be words of praise for the great independent effort to dignify the state that has been made by the judiciary and the minister

of Justice. The investigation now seems to be running in normal democratic channels.

But the investigation of the FP-25 April (if we want to know the whole truth) cannot continue for the purpose of solving its own operational "puzzle" or restoring its ties with the "legal arm," which may be any miniscule party that shares the same objectives. And with other political forces that use the same methods.

The state must also be alert to the complicity evidenced immediately when the first impressions were being formed, both in indications of sympathy and of "military-socialist" affability, on the part of the members of the recreational association which comes up with the same date of "25 April."

It seems that it will also be necessary for us to begin to ask questions about the reasons behind the attitudes of certain journalists and of a certain segment of the press that went over to the side of prominent elements of the FP-25 April. Who were they? Why did they do this?

Finally, for the benefit of the dignity of the Portuguese military establishment itself, it is necessary that a thorough report be made as to the identity of the generals, lieutenant-colonels or majors who have systematically spent part of their leave time in trips to Libya. Who were they? And, most important, what were they doing?

No Support from Mozambique

Lisbon DIARIO DE LISBOA in Portuguese 26 Sep 84 p 6

[Excerpts] "If I were making the decisions and if I were familiar with the proceeding, I would probably have arrested Otelo Saraiva de Carvalho later." That was the statement made yesterday in Lisbon by the minister of Justice. This implicit criticism of the examining criminal magistrate charged with the proceeding against the FP-25 was delivered before dozens of journalists at a dinner to which they had been invited by Rui Machete.

In reply to numerous questions on the subject, the minister also admitted that he had ("off-the-record") contacts with Almeida Cruz; that "personally, I would have preferred that the arrest of Mouta Liz not be made at the Banco do Portugal;" that "the government has no evidence to the effect that Mozambique is lending support to the FP-25; that the FP-25 are showing "signs to the effect that they were well-organized, as is demonstrated by the behavior of the persons detained during the interrogations and by the way in which the funds of the organization were being handled."

The "Sympathy" of the Press with the FP-25

Rui Machete confirmed that the green light for launching the operation against that organization was given by the "crisis cabinet" (which "exists de facto, though it is not yet governed by regulations") and he said that

he is "convinced that there is evidence implicating Otelo Saraiva de Carvalho." In his opinion, the FP probably has between 250 and 300 members ("not all of whom are operational") and that the organization suffered injury in some of its "vital organs," but has not been "annihilated."

The most recent actions of the FP ("it seems that they were involved in the Montemor matter. I don't know about Barcelos") are not their death rattle. But "neither are they a sign of great vitality." To explain the actions in question, Machete added that it is not easy to destroy an organization of this type "with only one operation, especially since we have no information service (such a service will be set up within six months, he said).

Still on the subject of the FP-25, Rui Machete said that he is "surprised at the way in which the press reacted." In his opinion, "complacency and sympathy were expressed in newspapers with various political leanings" and "they have abandoned this position only recently." The minister admitted that the reason for this attitude "could be connected with Leftist and revolutionary ideas, but it is a phenomenon not observed in other countries." In any case, he said that "he has no complete explanation of the phenomenon," and that some journalists had told him that perhaps it had more to do with the way in which the police and the government handled the matter than with sympathies or antipathies.

8089

CSO: 3542/9

BRIEFS

SOARES' PRESIDENTIAL RESOLVE--From what O JORNAL has been able to learn from various political contacts, the supporters of the candidacy of Mario Soares this week appeared especially satisfied with the fact that the idea of presenting a candidate from the military had been rejected in the council of the PSD [Social Democratic Party]. As a matter of fact, Soares did not seem particularly pleased with the possibility that they might choose General Firmino Miguel, which had been the object of speculation in party circles. The results of the meeting of the national council of the PSD, which were confused and open to various interpretations, did not discourage the present prime minister. But, most important of all, there were certain statements made later, among them those of Mota Pinto and Rui Machete, that led Soares to entertain the idea that if gaining the support of the PSD is difficult the first time around, it is, however, not ruled out the second. Last Tuesday, at a dinner with journalists, the minister of Justice admitted that, opting for a "lesser evil," the PSD will be able to support Mario Soares against another candidate whose ideas are less in line with the program of the Social Democrats. Significant as well was the opposition that Mota Pinto constantly put up at the Porto meeting against the curbs placed on the government. [Excerpt] [Lisbon O JORNAL in Portuguese 28 Sep 84 p 6] 8089

CSO: 3542/9

CINCCENT PLAYS KEY ROLE IN NATO STRATEGIC PLANNING

Frankfurt/Main FRANKFURTER ALLGEMEINE In German 19 Oct 84 p 12

[Article by Karl Feldmeyer: "Not Only a First Among Equals. The Role of the Commander-in-Chief of Central Europe in NATO Planning"]

[Text] Bonn, October--More often than in the past--perhaps more often than desired--there has in recent days been talk about the share of the FRG and the Bundeswehr in the military command of NATO armed forces in Europe. Cause for such discussions were the Kiessling affair as well as the reallocation by General Rogers of the functions of his two deputies, the German General Mack and the British General Burgess. They are assigned to him as advisors. The real reason, however, is that the German representation in the integrated NATO staffs is numerically weaker than they could expect--based on the size of the armed forces commitment made to the alliance.

It is a coincidence that in this perception the position of the NATO commander-in-chief of Central Europe (CINCCENT) is usually not considered? The strongest argument against the fear that the Germans are not adequately represented in the military command of the alliance is that this important position has been filled since 1966 by a German general officer--currently by General Leopold Chalupa.

Technically speaking, he is one of the three commanders-in-chief whose command sectors--Southern Europe, Central Europe, and Northern Europe--are subordinate to General Rogers, the Supreme Allied Commander in Europe (SACEUR). However, measured by the forces subordinate to him and the importance of his area of responsibility, the commander-in-chief Central Europe (CINCCENT) is more than a first among equals. Chalupa has under him the bulk of the NATO ground and air forces in Europe. Between the North Sea and the Alps, he would command, in wartime, 1.3 million ground forces troops, of whom 780,000 men are already assigned in peacetime to the four corps of NORTHAG--the Northern Army Group--and the five corps of CENTAG--the Central Army Group. Additionally, there are the wings of the AFCE (Air Force Central Europe), whose 1300 combat aircraft would be augmented in wartime by circa 900 aircraft from the U.S.A. A veritable armada which Chalupa, as the "Joint Commander"--commander-in-chief of ground and air forces--thus commands.

The 58-year-old general officer, whose diction reveals his Sudeten German origin, is well aware of his status. His marked self-esteem is rooted in his ability as a strategist. Chalupa goes unchallenged in NATO as a military expert. To stand one's ground in this environment of hierarchy and power-conscious personalities requires stature. Whereas one of the outstanding personalities in this position, General Schulze--Chalupa's predecessor--had a reputation for intellectual brilliance and a hardness often perceived by his subordinates as unrelenting, Chalupa's immediate predecessor, General von Senger und Etterlin, resembled British army commanders in his gesticulations and nonchalance. Chalupa, on the other hand, falls more into a baroque mold, reminding one of the South German-Austrian military tradition of the Germans.

In peacetime, the CINCCENT is only peripherally perceived by the public. In wartime, when the FRG with its allies would have to defend itself against attack, the CINCCENT would be the protector of Central Europe between the Baltic Sea and the Alps--and thus primarily of the West Germans. In a situation such as this, it is not immaterial where one draws the strength for decision-making. For he will have to make decisions. In peacetime, he is a military commander who has little more to do than command his headquarters and maneuvers, and the only military units subordinate to him are those assigned to air defense: the missile defense belt and 240 interceptors. Operational responsibilities would come only with the onset of tensions. Only the implementation of certain contingency plans would subordinate the remainder of the air forces as well as the corps and divisions to the CINCCENT. Only then would the strategic planning done in peacetime and the training of the command staffs have to prove their worth.

All this must be prepared sufficiently in advance. The SACEUR decides what is to occur within the framework of the NATO strategy of "flexible response." Filling this framework, e.g. defining the limits of the defense zones, deciding on the points of force concentration and which units are to operate together, what is to be done with the reservists and what operational plans are to be prepared, this is the task of the CINCCENT.

Politically significant is the fact that the CINCCENT--should it ever become necessary to repel an attack--has to decide where the defenders would attempt to bring about a military showdown. It would be his responsibility to insure that NATO would defend the FRG close to the border and without gaps in the defensive line. Already in peacetime, therefore, he is the guarantor that plans for forward defense are not "modified" by, for example, reducing the forces planned for operations close to the border and committing the bulk of the defense forces only farther to the rear. In view of the relative strength (of the opposing forces involved), this is a continuing temptation. The 22 divisions which Chalupa would have under him during the first days following an attack are opposed by 61 divisions on the eastern side of the border. He could, to be sure, come up with six additional divisions within a

week's time, but during this time the adversary could bring up its second strategic echelon with 35 fresh divisions. Small wonder, in view of this, that Allied commanders wish to give preference to a rear rather than to a forward defense!

In order to carry it (the forward defense) out as well as possible, the CINCCENT needs not least air units capable of striking targets located deep within the sector. Only if he succeeds in knocking out transportation nodes will he have a chance in wartime of delaying the forward movement of, and weakening, the second strategic echelon of the opponent. For that, however, he needs aircraft for operations in the rear staging area of the attacker, for Chalupa's operational sector in case of an attack from the East would extend approximately to the Polish eastern border. In this area, as well, he has been delegated the authority for conventional--but also nuclear--target planning, and he is responsible to the SACEUR for such planning in his entire operational area, consistent with a directive of principle. In other words, the SACEUR has delegated it (the target planning) to the CINCCENT--and consequently he can withdraw the authority again at any time.

It is no small thing, to have to assume the responsibility for planning of this sort--even if it is only a contingency plan. The fact that it is normally vested in a commander who sees things through German eyes should guarantee at least one thing: namely, that the confinement of atomic weapons employment by NATO to Germany--East and West--is out of the question. If a war were to start, this would certainly be small solace. But NATO is living on the hope that its deterrence can prevent war. No small part of this hope is based on the CINCCENT.

12689

CSO: 3620/64

FRANCO-GERMAN DEFENSE PLANNING RELATIONSHIP INTENSIFIED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 12 Oct 84 p 1

[Commentary by Fritz Ulrich Fack: "The Common Threat"]

[Text] Scepticism was of course in order when it was being said in Bonn that, in the wake of the talks between Mitterrand and Kohl, a new Franco-German security policy was in the making. And, indeed, many utopian hopes have since been dashed. But nevertheless, there is something stirring here, something that is welcome for neighboring Germany.

Since de Gaulle, France has regarded the FRG as a sort of military glacis, a buffer zone, which in the event of conflict will be defended first by Germans, Americans, Englishmen and units of Belgians and Canadians. France did not declare at that time that it intended to stand aside in such a crisis but it did drop out of NATO's integrated command structure and make the deployment of its troops contingent on its own sovereign decision.

French political and military thinking was focused primarily on the protection of the sanctuary, i.e., French territory, and only secondarily on the defense of the glacis bordering it. The same has been true for the potential of the "big" nuclear weapons--what the French call the "force de frappe." Their deployment is justified in the eyes of the French only if the enemy attacks the sanctuary with similar weapons or if, all else failing, France is forced to resort to this ultimate means of self-defense.

Even though the sanctuary concept was the unchallenged prevailing view as recently as Pompidou's tenure as president, a change began to take place as early as during the administration of his successor, Giscard d'Estaing, and even more pronouncedly under the current president, Mitterrand. The earliest impulse for this came from the military, from a change in the perception of the threat, from a new assessment of the role of the glacis and sanctuary, and from the realization that the old patterns of response no longer are valid or, perhaps more accurately, never were valid. The military was the first to recognize that France must be defended in an emergency not at the Rhine but at the Elbe and in the Thuringian Forest. The doctrine of the sanctuary and the glacis

gave way to the idea of a common alliance area that must be defended jointly. Here it should be mentioned that France is still a NATO member; it is simply not a member of NATO's integrated forces.

The politicians in Paris went along with the idea--at first hesitantly but then with ever growing assent. On the one hand, France was always fascinated by the idea of a European counterbalance and self-interest within the alliance. It has, to be sure, never wished to separate itself from America or to refuse its European defense shield; President Mitterrand especially is today less disposed to do this than ever. But, at the same time, France has always had doubts that the interests of the Europeans are adequately safeguarded by the alliance's policy and strategy when they--the Europeans--increasingly depend on American protection in matters of security policy. Paris has also observed with concern the recurrent attempts in the U.S. Senate to reduce this protection by means of a troop withdrawal--a movement that flares up repeatedly and is occasioned not least by annoyance at the allies.

Indeed, it was not until the existence in the FRG of influential currents of neutralist as well as pacifist sentiment became apparent that there was in Paris a genuine re-evaluation of the situation regarding security policy in Europe. The quality of the glaxis represented by the FRG began to change. It was no coincidence that Mitterrand, in a speech before the Bundestag in January 1983, pleaded for steadfastness in the arms buildup--to the consternation of the German Social Democrats. Nor is it a coincidence that his relationship to the new coalition and to Chancellor Kohl is especially good. Convinced of the necessity of an intensified Franco-German collaboration, both sides are beginning to take a neighborly interest in one another, an interest based on a modified assessment of strengths and the realization that in case of an armed conflict the fate of Western Europe is one.

Thus, a network of ties and contacts has emerged which is largely hidden from public view. High-ranking state officials and military leaders on both sides are working together regularly in established bodies beyond the official government consultations, examining the situation and bringing the ideas on a joint defense into line with one another. In the event of conflict, French troops would now no longer remain at their installations in southwestern Germany and, so to speak, wait out the battle until the "sovereign national decision" is made in Paris. Rather, they would advance to the east beginning day one, form at least a kind of strategic reserve behind the front line and even attack if the outcome seemed doubtful.

A readiness to support its allies as early as possible in its own interest and not wait first until the sanctuary is threatened indicates that France is once again closely tying its own destiny in questions of security policy to that of its allies. But it does not mean that in so doing

it is surrendering control of its options in nuclear strategy or is exposing them to outside influence. The German side, however, must manage at least to be included in the planning of objectives for the allies' nuclear battlefield weapons. In the case of France, the prospects for this are not bad, although it is only the beginning of a rather long journey.

9992

CSO: 3620/58

WOERNER ASSERTS PERSHING II'S NOW OPERABLE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Oct 84 p 5

[Text] Bonn, 18 Oct (DPA)--According to Defense Minister Woerner (CDU) the Pershing II missiles are completely operable and fulfill their political purpose as a deterrent. In a newspaper interview Thursday he described as "absolute nonsense" the statements of the former chief American negotiator at the strategic arms limitation talks (SALT), Warnke, that the Pershing missiles were "unusable in the military sense". Woerner said, "The Pershing II missiles are operable. We do not need to operate them because our point of view is that the Soviet Union will not take undue risks and therefore the possibility of war need not be feared." In a television interview on Tuesday evening Warnke had said that during his tenure it would have been considered a political defeat if the stationing of the missiles in the FRG had not been undertaken at any price. During the same program retired American Admiral Carroll, who according to MONITOR was on the American committee for the stationing of the Pershing II, said that the missile had not yet been successfully "tested under the conditions for which it was intended", i.e. over land and at full range.

12552

CSO: 3620/75

NATO AGREEMENT ON NEW ANTI-RADAR MISSILE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Oct 84 p 3

[Text] Brussels, 18 Oct (REUTERS)--Representatives from seven NATO countries have agreed to a joint investigation into the possibility of developing a new short-range weapon. According to sources within NATO circles on Thursday this decision can be viewed in conjunction with the goal promoted primarily by the U.S. of providing new high-tech conventional arms. The U.S., Great Britain, the FRG, Canada, Italy, the Netherlands and Belgium have agreed to an 18 month feasibility study for the missile. The new weapon is supposed to react to radar signals and can be fired from the air at targets on the ground. It could thus be used against anti-radar installations. This is the first such study agreed upon following the preparation of a priority list by the arms directors of the NATO countries last spring of seven high-tech projects involving arms cooperation. Regarding the missile project, representatives of western European NATO countries said that a satisfactory agreement with the U.S. had been reached concerning the distribution of technical know-how. A European NATO representative said that in past years European governments had always complained about "the unwillingness of the U.S." to share its technical know-how with the Europeans. He said it was important that for this feasibility study a pragmatic solution to the problem had now been found.

12552

CSO: 3620/75

REVISED CIVIL DEFENSE LAW PRESCRIBES SHELTERS

Bonn DIE WELT in German 10 Oct 84 p 4

[Article by Ruediger Moniac: "Coalition Plans Requirement to Build Shelters. FDP Also Favors Amendment of Civil Defense Law"]

[Text] Bonn--During the just opened second half of the current legislative session the CDU-FDP coalition appears determined to introduce within a new civil defense law a general requirement for the construction of shelters and obligatory service in the assistance organizations of the disaster control service. Following a hearing with the volunteer assistance organizations, a preliminary draft referendum prepared by the federal interior ministry will be revised in the near future such that it can be forwarded to the Bundestag as a federal legislative bill.

At the interior ministry it is said that the FDP favors amendment of the civil defense law without reservation. Burkhard Hirsch, FDP deputy to the Bundestag, who is responsible for these questions within his party, told DIE WELT yesterday, "If the right conditions have been met, it will not be our fault if a new law fails to be passed during this legislative session." However, Hirsch indicated that following the hearing for the associations and volunteer assistance organizations which he himself had arranged for September 17, the definition of the basic principles to be included in the amendment were still too vague. Hirsch spoke for the associations and said that from their point of view the current draft by the interior ministry was "thoroughly disappointing".

Paul Laufs, CDU deputy to the Bundestag, holds a differing opinion. He thinks it possible for the bill to be completed by December. He does not want to pressure the coalition, however, and finds it acceptable if the legislative process begins in the coming spring at the latest. Laufs also told DIE WELT that his party was willing to compromise, however the whole proposal would stand or fall on the issue of constructing shelters.

Hirsch also said that the introduction of a requirement to build shelters for the private sector was "no taboo", but the same requirements had to apply to the commercial sector. He expressed a similar opinion regarding the intention of the interior minister to introduce obligatory service in civil defense to build up the number of personnel in the assistance organizations. He said

that it was right to consider such a step, but that he could only support it if the question of personnel requirements was "clearly delineated" from the outset between the defense ministry, which also has obligations regarding civil defense, and the volunteer assistance organizations, which are primarily involved in disaster control.

According to the calculations of the federal interior ministry the construction of shelters would cost private builders about DM 400 per person. In order to reduce construction costs the state would provide tax relief as it has done up to now. The difference between the current legal situation and the new law, however, would be that the builder, in erecting a residence, would be responsible for constructing shelters to provide protection against conventional weapons and falling debris. According to all members of the coalition, the general requirement for creating so-called "basic protection" is the minimum prerequisite for achieving the envisaged goal of not only consolidating the various civil defense laws into one comprehensive law but also setting a decisive course for general improvements in civil defense.

To date there are shelters in the FRG for only 2.2 million people. The federal interior ministry expects the introduction of a general shelter construction requirement to result in the erection of about 1.2 million additional shelters annually, thus increasing protection for the population step by step by about one percent per year. Currently there are shelters for only about three percent of the population. Tax relief measures already in place would cost the federal treasury about DM 30 million annually if the shelter construction requirement is passed. If the government decides to award additional monetary incentives for the erection of shelters by private builders, the impact on the federal budget would be limited to an additional DM 20 to 30 million. Details concerning public financing will be discussed today by Interior Minister Zimmermann and his fellow ministers Schneider (Regional Planning, Housing & City Planning) and Stoltenberg (Finance).

12552

CSO: 3620/75

STRATEGIC OCEAN FORCE STRENGTHENING CONFIRMED BY HERNU

Paris LE MONDE in French 11 Oct 84 p 11

[Text] With the entry into service in April 1985 of the nuclear missile-launching submarine, "Inflexible," the number of nuclear warheads aboard ships of the Strategic Ocean Force (FOST) will more than double, considerably strengthening the credibility of French deterrence. Defense Minister Charles Hernu gave this assurance on Tuesday, 9 October, in the Palais-Bourbon to deputies who are members of the National Assembly's Defense Committee, to whom he explained his 1985 draft budget, which totals 150.2 billion francs, an increase of 5.7 percent compared to 1984.

For the first time, Hernu gave unpublished information about the modernization of the FOST, after having said, "The nuclear forces will continue to be given priority because they are the heart of our defense."

The "Inflexible," whose acoustic discretion will be improved compared to that of its predecessors, will be equipped with the new multiple-warhead M 4 missile which has been tested successfully and whose range is over 4,000 kilometers," the minister of defense said.

"Each of the 16 missiles aboard the submarine will be equipped with six nuclear warheads. Up to now, we have had five submarines, each equipped with 16 M 20 missiles of megatonic power and a range of over 3,000 kilometers."

"If the entry into service of the "Inflexible" marks a capital phase, we must now look further ahead," Hernu added. "The refitting of the first nuclear submarine which is still in service, that of the "Tonnant," will be started in 1985 and finished at the end of 1987, to assure as quickly as possible the presence of M 4 missiles on the sea. The second lot of missiles will be equipped with a new nuclear warhead, the TN 71, whose development will soon be completed. This warhead will have a penetration capability superior to that of the TN-70, which will be fitted to the first

lot of missiles placed on board the "Inflexible." Miniaturized compared to the missile which preceded it, the TN-71 will exceed the range of the M 4 by over 4,000 kilometers."

The minister of defense's comments are an official confirmation of information gathered previously from officials of the Atomic Energy Commission (AEC) and the Aerospatiale Company, which since 1972 have been responsible for development of new explosive warheads and the M 4 missile in its two versions.

According to this information which at the time was unofficial, the nuclear warhead of the M 4 missile will be four times lighter than the warhead of the M 20 missile," and it will be "hardened," that is, it will be protected against the effects of neutron radiation or the impact at low altitude of an enemy antimissile defense. Even lighter and more compact, the performance of the M 4 missile's thermonuclear warhead will be comparable to that of American weapons.

The "Inflexible's" missile will distribute its six explosive warheads within a rectangle measuring 350 kilometers in length by 150 kilometers in width, that is, it would be capable of hitting targets in France within the geographic region from Paris to Le Havre, with dispersion as far as Orleans.

Hernu told the deputies that the effort to modernize the FOST would not stop there. "Research into new generation nuclear missile-launching submarines will be actively pursued," the minister of defense indicated. "In 1985, we will earmark over 1.5 billion francs in program authorizations and more than 1 billion francs in payment credits for studies of this new submarine, with a view to an initial order in 1987."

With regard to the 1985 draft defense budget (LE MONDE, 19 September), Hernu said that the armies, the bulwark of the nation, are naturally associated with the national effort to keep public expenditures under control. "However," he added, "the commitment made by the government on the occasion of the 1984-1988 military program law to assure the modernization of the armies' equipment will be honored."

The minister of defense expects that there will be an end-of-year budgetary finance bill for 1984 to finance the budget overrun of the foreign operations of the French army, which he estimated at 1.5 billion francs for Operation Manta in Chad and 700 million francs for the French presence in Lebanon.

8143

CSO: 3519/058

ENGINEERING INDUSTRY SPOKESMAN ON EXPORT GAINS, EMPLOYMENT

International Competitiveness Enhanced

Duesseldorf WIRTSCHAFTSWOCHE in German 5 Oct 84 pp 12-14

[Interview with Otto H. Schiele, president, German Industrial Machinery and Equipment Federation]

[Excerpt] Question: For the first half of this year, the German machine-building industry can show a real output increase of 0.8 percent compared to last year's figures. This result looks rather meager when measured against the national economic growth rate of 2.5 percent.

Schiele: Nevertheless, the machine-building industry is doing better again. We have been detecting an upward trend since the end of last year. This year again we had a definitely good start. During the first 3 months of this year we were able to observe an average factory order increase of 14 percent in real terms. Then came the strike in May and June and factory orders declined. This is why we were able to come up with an increase of only 8 percent [as published] for the first half of the year.

Question: Can one blame the drop in factory orders so clearly on the strike? After all, investment planning is, if anything, determined by long-term strategic considerations?

Schiele: That is partly correct. There are orders in the machine-building industry which are not at all touched by a strike, so long as it does not last too long. We have factory order processing times of 3-4 years in some branches. They of course are not touched by the strike. But then, on the other hand, there are branches where they are generally delivering from the warehouse. If they cannot deliver, then they do not get any orders either. But now that the strike is over, we are catching up again nicely.

Question: In other words, there are still sufficient capacities lying around idle?

Schiele: Our capacities are better but they are far from optimum. At this time, our capacity utilization is about 83 percent. Last year it was only

79 percent; so, at any rate, we did gain 4 percentage points. But the situation will not become satisfactory in machine-building until we have 86 percent utilization. Then we have at least reached the limit as of which --on the average--it will no longer be necessary to reduce working hours.

Question: Do you expect full utilization this year?

Schiele: That is difficult to say. But if things continue the way they have been until now, we might very well have full utilization this year.

Question: In your opinion, will this have an effect on employment?

Schiele: After the strong decline in short offerors--last year we still had around 6.4 percent reduced working hours but in the meantime the figure has shrunk to 2.4 percent--it is to be assumed that the number of employees will again become stabilized now. We may even have an increase in the number of employees. At this time we have around 992,000 employees and we hope that we will soon reach a million or perhaps even more.

Question: Is this due to the domestic economic situation? Or are exports the moving force for growth?

Schiele: Exports play the decisive role. At this moment, they are the main source of the upswing.

Question: Is the dollar exchange rate of DM3 the cause of our export strength or are there other explanations?

Schiele: The high dollar exchange rate is undoubtedly now the decisive support for the machine-building industry. The United States is on the way to becoming our number one export customer. In this way, the United States is relieving France who was our traditional first-place customer. As for the rest, all deals are running better in third countries where we compete with dollar offerors.

Question: And this is happening against a background of higher export prices.

Schiele: No, we continue to have to deal with strong competitors and with the Americans themselves.

Question: This is why it should be all the more easy in the machine-building industry to get higher export prices.

Schiele: We are not getting any higher prices. We are converting our DM prices into dollars and this is why we turn out to be cheaper than the Americans in many cases. That is to our advantage.

Question: That is true. But they can do a better job in getting the kind of export prices they want.

Schiele: We have a price advantage after we had been facing a price disadvantage for many years. This means that we are now selling more but not necessarily at higher export prices. Compared to the same period of time last year, they rose only 2.5 percent this year.

Question: Nevertheless, is that not going to be more?

Schiele: I cannot guess what is in the minds of my fellow business operators. I can only say what I would do. I would first of all try to regain the ground we lost in early years, in other words, not to skim the cream off right away, if I may say so.

Question: Did the profit situation in the machine-building industry brighten up?

Schiele: We only have the figures for 1982. The average sales yield after taxes in the machine-building industry is exactly 1.0 percent. Now, for comparison: before the investment downturn during the 1970's, the sales yield was around 3 percent. Now, what does the situation look like for 1983-1984? This is where you have to consider the negative consequences of the strike. From the fact that business deals are now running better, one can of course conclude that the trend is improving. Nevertheless, there is still a tremendous gap to the kind of sales yield which we achieved before investments declined.

Question: CAN you give us an order of magnitude?

Schiele: No, we can only record a rising trend. The 3 percent of the 1960's continue to be wishful thinking at this time.

Question: You said that you wanted to gain ground in international competition. Selling successfully in America now is no problem because of the high dollar rate. But is German machine-building also gaining ground in the Pacific area?

Schiele: Where we are competing with the Americans, the answer is yes.

Question: And where we have to deal with the Japanese?

Schiele: That is where this is not true. Of course, exports to Japan went up 10 percent during the first half.

Question: What do you think that is due to?

Schiele: We increasingly manage to rid our members of their reluctance to tackle the Japanese market. Like everywhere else, you can make good business there also.

Question: Is Japanese protectionism no longer an issue for you?

Schiele: You have to say that the Japanese are in the process of changing their attitude. Until now, they were extremely protectionist. In the meantime, their self-confidence has improved and this is why they are more inclined to accept more competition on their own soil.

Question: The Japanese are heavily involved in this competition; but, according to a study by the United States Congress, the American machine-builders will also be able to improve their competitive situation. So, once again: At whose expense will German machine-building gain ground?

Schiele: The latest 1983 statistics assign a share of 23.6 percent out of world exports to the American machine-building industry. In 1982, the figure was still 26 percent. These results obviously contradict the figures in the Congress study which you mentioned. But, to continue: from a share of 8.7 percent, British machinery exports dropped to 7.8 in 1983. The chief beneficiary is Japan which was able to raise its share of world exports from 12.6 percent in 1983 to 15 percent last year. And the German machine-building industry was able to hold on to its share. There was only a minor change--20.3 percent in 1983, after 20.4 percent in 1982.

Question: These are figures of the past. Many skeptics however doubt the ability of the German machine-building industry to defend this strong position in the future likewise.

Schiele: I know what you are referring to. Mr Nussbaum coined a catchy phrase with his characterization of the technology of the last century by way of an allusion to German industry. But that is all. If you realize that, among top-level technologies, such as machine-tools, we are holding on to a world market share of 31 percent and in printing machines of 40 percent, then nobody could possibly say that we are selling German technology dating back to the last century. Let me say again: In terms of numbers, we certainly did not fall behind our western competitors.

Question: Except for Japan.

Schiele: Except for Japan. But, in reply to your interpretation, to the effect that my estimate is purely statistical and related to the past. If we can retain the general conditions which we are working with at this time, then my view of the future is relatively optimistic. We continue to have to make a major effort to improve the in-house capital strength of our enterprises. And it is becoming increasingly important to prepare our work force for the revolution in data processing through a corresponding education policy. If we can manage to do that, then we certainly have a chance of not only holding on to our share of the competition but even increasing it.

Question: Are we getting any impetus from industry?

Schiele: Take the German auto industry as an example. There is no denying that, through consistent automation, it managed to reach the international top standard over the past 5-10 years. Just the way it looks in the factories of the German auto companies today, so it must look basically tomorrow in the German machine-building industry.

Question: And what goes on today?

Schiele: There are more and more indications that the machine-building industry is converting to new technologies. This is why we presently have good increase rates as far as factory orders are concerned.

Question: In other words, we do get impetus from the current domestic economic situation?

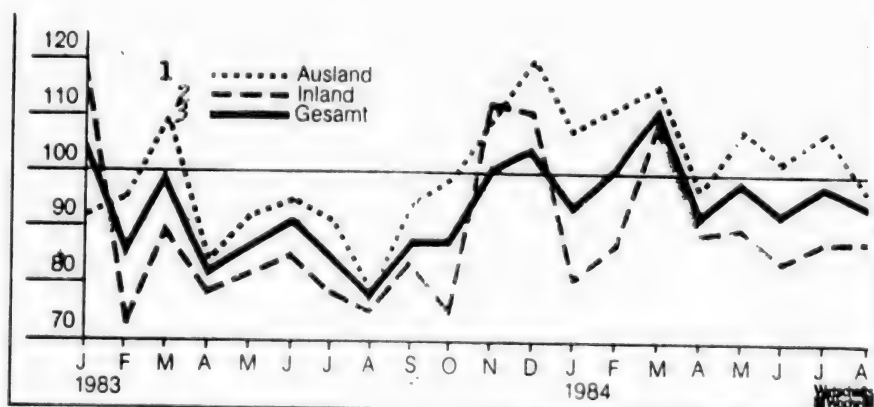
Schiele: The growth impulses, which now reach the machine-building industry, are very long-term. Converting a production line does not just take 3 months; that process extends over many years. Nevertheless, it is not only the machine-building industry but also the industry which the machine-building industry must supply that faces the need of a longer investment phase.

Question: Can one express your optimism also in figures?

Schiele: The way the second half started, we would have an output increase of 3 percent in real terms by the end of the year. This means that we are half a percentage point above the figure that has been predicted for the economy as a whole, in other words, 2.5 percent. As far as 1985 is concerned, we think that we can hold that interval. Then we might get a growth rate of 2.5 percent.

Question: Do you trace this interval back solely to the technical structural change?

Schiele: Correct. The only thing is, as I must emphasize again and again, that the general national economic data must remain what they are now.



Sustained by Exports: 1983-1984 German Machine-Building Factory Order Development (1980 = 100).

Key: 1--foreign; 2--domestic; 3--total.

'Flexible Automation' Shrinks Payrolls

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 21 Sep 84 p 5

[Text] In the opinion of Otto Schiele, president of the VDMA [Association of German Machine-Building and System Construction] employment, in West Germany's biggest industry branch in terms of workers, that is, the machine-building industry, will continue to show a declining trend. On the occasion of a conference on the topic of "Flexible Automation of Production in Machine-Building," he declared in Wiesbaden that there will be temporary fluctuations due to the particular economic situation, but the basic trend is down, with automation playing an important role. According to the latest statistics supplied by the VDMA, this particular branch at the end of the year still employed 992,000 persons, after the figure had been 1 million a year earlier. That is 2.2 percent less. At the same time, the half-year sales volume went up by 2.7 percent to a figure of DM64.5 billion.

Schiele is convinced that workers in the machine-building industry, who will no longer be needed because of automation, can find jobs in other branches, especially in the service sector. "And in West Germany, the Greek who has become unemployed as a result of that, will open his own restaurant," said the association president.

There is agreement with the union, which demands the social controllability of the new technologies, that automation has less of an effect on more highly skilled workers. But, among those who would become superfluous because of rationalization, there are two groups. Those who are ready "to do something new" and to be retrained, something that is also connected with the IQ; and those who find this sort of thing difficult. Here one might hope that new jobs will open up in other fields.

The industry branch which, measured by the sales volume (last year, DM133 billion) was in second place, after road vehicle construction, according to VDMA statistics, 10 years ago employed almost 1.2 million women and men. Within 10 years, this figure thus dropped by 14 percent.

But, according to Schiele, automation is necessary to keep the industry competitive on the world market and to make it "as stormproof as possible for heavy weather."

A factory, without any people, completely robotized, in his opinion, will not materialize but there will be automated enterprises with "few people." So-called partly flexible production is already a reality in a series of enterprises due to the tie-in between CAD and CAM. But the automated factory reveals a much higher degree of complexity compared to the "automation islands" prevailing today.

To avoid bottlenecks in not yet automated, up-line and down-line fields, each enterprise needs an overall concept in order to be able to make full use of the rationalization advantages deriving from the new handling and data processing technologies. Schiele emphasized that only economically meaningful, in other words, financially rewarding steps should be taken regarding automation efforts. The flexible, freely-programmable production plant, which costs "a lot of money," is not always worthwhile, especially not in connection with the series production of just one product.

An association spokesman stated by way of supplementation that it will in all cases be more rewarding to use flexible, computerized systems, because, on account of their reprogrammability, they can be adjusted to production changes without any expensive conversion. Machines, which are used in the branch, but which are also to a great extent produced there, would, because of their versatility, attain much longer utilization times and the production systems would become smaller because of flexibility and the number of machines as a whole would decline. In the meantime, that number has already become a problem in the machine-building industry.

5058

CSO: 3620/69

WEST BERLIN ECONOMIC DEVELOPMENTS REVIEWED

Employment Decline Reversed

Duesseldorf HANDELSBLATT in German 11 Oct 84 p 4

[Text] The review of Berlin's economic growth shows results revealing a better trend than figures for the territory of West Germany as a whole. In submitting the 16th report on the situation of Berlin's economy, Berlin Lord Mayor Eberhard Diepgen and Economy and Transportation Senator Elmar Pieroth emphasized that the definite progress that was achieved is due last but not least to the structural policy pursued by the Senate.

For the first time in 10 years, the number of industrial jobs in Berlin went up by 1,500, compared to the same period of time last year, since the start of this year. Last year, Berlin industry still lost 6,000 jobs. On the average for the 1970's, the loss was as much as 9,000 jobs per year. In terms of cutoff dates there is however still a slight decline but, on the whole, one may well assume that the 1984 employment level can be maintained or can perhaps be raised slightly.

The situation on the labor market of course is still not satisfactory although here likewise the situation in Berlin has been comparatively defused. Comparing unemployment figures on a state-by-state basis, Berlin 2 years ago was to be found among the bottom of the list; in the meantime, Berlin has moved up to fifth place. Among the 10 big cities north of Frankfurt, Berlin now reportedly comes off best in terms of unemployment. But, looking at the other economic statistics, Berlin likewise came off much better throughout than the rest of West German territory. For example, factory orders in the processing industry in 1983 went up 5.3 percent (federal average: up 2.7) and during the first half of 1984 they even rose 9.1 (7.9) percent. In 1983, investments grew by 6.3 (3.1) percent; during the first half of 1984, the figure was 14.1 (1.4) percent. The gross domestic product rose 2.6 (1.0) percent in 1983 and, during the first half of 1984, went up 2.7 (2.2) percent in real terms. The number of gainfully employed persons, which in 1983 had dropped by 1.2 (1.7) percent, rose by 0.2 (down 0.5) percent during the first half of 1984.

After the Senate's first goal--to stabilize employment through the revitalization of Berlin's economy--has been attained, Berlin's structural policy must now be continued and pursued in longer-range terms, Pieroth emphasized. He said that the priority task for the next 6 years would, on the one hand, be the continuation of broad-based basic and advanced training and retraining initiatives and, on the other hand, to provide increased marketing and sales impetus.

The modernization strategy pursued by the Senate, according to Pieroth, is aimed primarily at taking care of the inventory in industry, in the crafts, and in the services. Moreover, the important thing is to provide incentives for the establishment of more companies with a strong in-house capital base as well as the settlement of new enterprises and the promotion of new research and production developments in Berlin. But a long-term effort is required to guarantee the complete success of this strategy which would pay off in safe and attractive jobs.

In one of the initial comments on the 16th report submitted by the Senate on the situation of Berlin's economy, Berlin DGB [German Labor Union Federation] State Chairman Michael Pagels warns against optimism deriving from an election campaign. To be sure, the economic recovery which can be recognized in Berlin is more pronounced than for the West German average but the situation on the labor market continues to look hopeless. Especially the great difference in developments in the areas of factory orders, investments, and labor market confirm Pagel's view to the effect that it is urgently necessary to take employment-policy measures which will directly and immediately serve to create jobs. On the other hand, in the view of the Berlin IHK [Chamber of Industry and Commerce], the economic data released by the Senate are not just due to seasonal chance but are really backed up by the mood and the activities of Berlin enterprises. On the basis of a special survey just concluded, it turns out--according to the IHK--that the industrial enterprises expect a continuing steady economic development also during the coming year.

'Management Assistance' Program Instituted

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 18 Sept 84 p 1

[Text] "Berlin's real problem in the economy sector has to do with the missing business operators," declared Berlin Economic Senator Elmar Pieroth on the occasion of the founding of a MBG ("Management Berlin GmbH") which is to start operations on 1 November. One of the fathers behind the idea of "management assistance" is Eberhard von Brauchitsch who one and a half years ago developed the idea that sound big enterprises should temporarily yield managers from their "management reserve" to Berlin enterprises that needed such help and that recognized the need for such help and welcomed it. Partners of the MBG initially are Axel Springer Verlag AG [Inc.], Daimler Benz AG, L. Possehl + Co. mbH, and SEL Standard Elektrik Lorenz AG; the corporation is open for the admission of additional partners. The business manager will be Walter Dietzel who has many long years of experience in crisis management;

he wants to start with perhaps two or three staff members. The enterprise is also supposed to be financially self-supporting. It was made perfectly clear that this is not supposed to be competition for the consultant firms; instead, the outfit wants to work closely with Berlin associations, with the banks, and with the chambers.

Eduard Reuter (Daimler-Benz) and Roland Mecklinger (SEL) and von Brauchitsch made it perfectly clear that this is a company within the German economy, not a senate enterprise. The initially participating enterprises also acted in their own interest. They are to revive entrepreneurial thinking and acting in Berlin; it reportedly happens again and again, according to Reuter, that inquiries by his enterprise to potential suppliers are not even answered. But they do not want to have any "stereotyped bureaucrats" sent out; instead, they want young, dynamic people who are supposed to test their strength by tackling management tasks.

City's Finances Said Solid

Bonn DIE WELT in German 10 Oct 84 p 4

[Article by Hans-R. Karutz: "Solid Finances Are Basis for Berlin's Upswing"]

[Text] With impressive evidence for the city's economic and political upswing since 1981, Finance Senator Gerhard Kunz (CDU [Christian Democratic Union]) yesterday submitted Berlin's budget plan up to the year 1988. It relies on heavy investments for promising industries, commensurate aid from the federal government, Prussian frugality, new jobs through dynamic growth, and a decline in any new net borrowing.

Yesterday, Kunz had the Senate give its blessing to his plans. "We moved Berlin forward," he said by way of summary. The chancellor's confidant, after Richard von Weizsaecker, is the second senate member to leave the state government and, in the spring of 1985, to accept a demanding new task, obviously not in the field of politics. Kunz' negotiating skill in dealing with Federal Finance Minister Gerhard Stoltenberg is to be credited with the fact that the city each time got commensurate aid from the federal government. Kunz here always successfully appealed to Bonn's insight into Berlin's special national tasks.

The senator's report shows that the city advanced a good distance under his financial management. In 1983, Berlin recorded an economic growth of 2.5 percent--considerably more than the federal average. Within a short time, Kunz managed to close the 3-billion gap which the old SPD/FDP [Social Democratic Party-Free Democratic Party] senate had left behind.

Berlin will continue to depend on federal aid which, until 1988, will rise slightly each year to a figure of DM12.4 billion. But here is Kunz' ambitious goal: He wants to make sure that the federal share out of the Berlin budget will not exceed 53 percent. With a gradually declining new net borrowing volume, the senate will stick to the Bonn savings line. But Berlin

could not possibly afford to do entirely without any new borrowing, like the "little model state" of Baden-Wuerttemberg. The interest burden deriving from the large low-cost housing construction program alone comes to DM13 billion.

Berlin's treasurer is also getting a headache from the consequences of the tax reform. From 1986 until 1988, the city will therefore take in about 1 billion less. But it is an indication of growing economic strength that the senate in 1988 for example wants to take care of one-quarter of all expenditures from Berlin's own tax yield.

With praise, Kunz emphasizes in his report: "Federal aid has been increased considerably since 1981. This expresses the understanding which the federal government has displayed for Berlin's concerns in spite of its own consolidation efforts." Whoever might be his successor, Kunz is warning him right now: The commandment "most economical possible budget management" must apply in the future especially since the tax reform must be understood as "a new challenge." This is because Berlin during the next several years must also support financially that which is politically of first-ranking significance: The 750th anniversary is to be celebrated in 1987, along with the tie-in to the natural gas network and the expansion of the sick rapid-transit line--taken over from the "GDR"--into a modern commuter line.

Economic Subsidy Programs Reviewed

Bonn DIE WELT in German 6 Oct 84 p 11

[Article by Gerold Osterloh: "New Model is No Oneway Street"]

[Excerpts] But the new trend in Berlin's economy is, last but not least, traced back to the change in the effort to promote Berlin. This is what one can hear again and again from Pieroth and the Chamber of Industry and Commerce also has something to report on that. Only Berlin DGB chairman Michael Pagels is still astonished about that. Because the law on the new Berlin promotion effort has been in force since January 1983 but the regulations are not to be applied until 1985. Nevertheless, Pagels can also imagine that enterprises have already reacted in advance, looking forward to this change in the promotion program.

According to the old promotion program, which runs out this year, there is a sales tax preference of 4.5 percent for an added value of 10-50 percent in Berlin--and below 10 percent there are no subsidies according to the new and the old law. With an added value of between 50 and 65 percent, the sales tax reduction comes to 5 percent. Anything above that gets 6 percent. According to the new law, there will be a base preference of 3 percent in the future in case of an added value of between 10 and 15 percent in Berlin. After that, the sales tax subsidy for manufacturers in Berlin will rise in an almost proportional manner up to the maximum rate of 10 percent which will be reached in case of an added value of just a little more than 90 percent.

This does not pertain to the customer preference of 4.2 percent which the West German buyer gets from Berlin merchandise. This is supposed to be a decisive factor for the cigarette industry, which is why it is concentrating its production in Berlin. In view of the stiff competition, the customer preference will be fully passed on to commerce.

As we said before, the new producer preferences will be used for the first time in 1985. But the enterprises must in return have their value-added accounts ready for 1983. Those accounts are to be considered a yardstick. For enterprises which then get less preferences, there will be a 2-year transition phase during which their benefits will be cut each time by one-third of the difference between the old and the new rates. According to the old law, the 1984 preference is 4.5 percent and the 1985 figure is only 3 percent; this means that the business operator in 1985 gets 4 percent and in 1986 only 3.5 percent.

The new Berlin promotion effort will thus become fully effective only starting in 1987. This was done deliberately in order to give the business operators time to preserve their inventory through new activities in Berlin. This was done for example by Reemtsma. This concern expanded and modernized the plant in Berlin with investments of around DM300 million over a period of 3 years and shifted the cardboard box manufacturing division to that city. This is how Reemtsma assured itself of base promotion.

The case of the margarine plant of the Unilever Concern in Berlin shows that this can also happen the other way around. This plant, with 100 employees, will be closed at the end of 1985--because things no longer worked with the new Berlin promotion program. Unilever was unable to balance this out by means of new activities in Berlin.

This shows that the Berlin promotion program did not result in something like a one-way street to Berlin. The Berlin promotion program continues to be nothing more than an adjustment for the disadvantage connected with the location--the hinterland only starts at Helmstedt. The new Berlin promotion program is still too young to be challenged once again. If Berlin this year created 1,000 new industrial jobs, this is almost nothing against the background of the losses of the past. Since 1970, the number of industrial jobs in Berlin has been cut in half to a figure of only 150,000 now.

5058

CSO: 3620/67

BUSINESS RESPONDING TO POSITIVE BERLIN 'IMAGE'

Opinion Polls Surprisingly Positive

Duesseldorf HANDELSBLATT in German 12 Oct 84 p 3

/Text/ A study on "Self-Confidence and Reputation of a Unique International City" just submitted by the Allensbach Demoscopy Institute is distinguished by almost surprising agreement between the close-up and long-range image of Berlin.

The objective of this survey, which was commissioned by the State of Berlin, was to find out how Berliners see themselves and how they are seen from West Germany to learn with what idea Berlin should be developed further, into the future.

The astonishing degree of commonality in the view of the city, as documented in the survey responses, according to professor Elisabeth Noelle-Neumann is "a social-psychological riddle." She draws the conclusion that, in spite of almost 40 years of spatial separation, there is a very strong feeling of German unity.

Island City--Wrong Term

"Today I would no longer use the term island city," says Mrs Noelle-Neumann because the bonds expressed in the survey, in her opinion, show that a purely cartographic, geopolitical look at Berlin on the map is deceptive. The identity crisis, which has often been diagnosed for the population of the FRG, obviously does not exist as far as the Berliners are concerned. The crisis in the German identity feeling is often explained by the broken relationship to history. For Berliners, history in fact is something different--and much of their self-confidence is based on that.

The support of the West German population for Berlin, in the opinion of Mrs Noelle-Neumann, emerges also on all issues that have to do with money. During various surveys since 1953, the majority came out in favor of commensurate financial support for the city. During the most recent survey, as to whether the financial aid given to Berlin by the

federal government for quite some time now should be increased or reduced, only 13 percent of the West Germans used the opportunity to plead for savings. "Leave it as it is" was the choice of 50 percent and 24 percent would like to have aid for Berlin increased.

Aid for Berlin is likewise no topic for dispute in terms of party politics either: 22 percent of the SPD /German Social Democratic Party/ supporters, 27 percent of the CDU/CSU /Christian Democratic Union-Christian Social Union/ supporters, 32 percent of the FDP /Free Democratic Party/ supporters, and 33 percent of the supporters of the Greens were in favor of increasing aid to Berlin.

For 72 percent of the Berliners and 73 percent of the West Germans, Berlin will always be a kind of capital. In response to the question as to what makes Berlin a capital, the interview subjects most frequently mentioned "Berlin as a cultural center" and, in second place, the city's historical view of itself.

Other special features, in addition to Berlin's international character, which 37 percent of the interview subjects considered to be an important element in the city's essence as a capital, included references to the city's nightlife (40 percent) and "night-clubs, restaurants, and bars" (44 percent); 72 percent of the Berliners consider themselves to be a European center and 69 percent view themselves as the middleman between East and West. This is why, according to Mrs Noelle-Neumann, hostility toward foreigners and hostility toward America will not find any fertile soil in Berlin.

Only Few Want to Cut Berlin Aid

Although Berlin, according to the population's age structure statistics, is often referred to as a "city of old people," reality, in the words of Mrs Noelle-Neumann, looks entirely different. A total of 57 percent of the Berliners and even 66 percent of the younger generation believe that "Berlin is a young city." The difference between statistics and the actual feeling of life in the city resides above all in the fact that young people are on the move much more than old people.

The question as to the judgment of the alternative scene was also interesting in this connection: Of course, views and sensations were clearly divided, but, according to Mrs Noelle-Neumann, one can recognize the determination to exercise tolerance in the majority ratios. But it is not only toleration that determines the relationship of the population to the alternative scene; instead, this also reflects an acceptance of the Berlin younger generation.

Tolerance Toward the Alternative Scene

The test also included the economic aspect, the question as to Berlin's significance as an industrial city. Here it turned out that the image of "Berlin as an industrial city" contributes much less to the enthusiasm

for the city than other Berlin perspectives. On the whole, 60 percent of the interview subjects agreed but among the young people it was only 36 percent.

Mrs Noelle-Neumann concludes from this that a blooming industry undoubtedly is a part of the Berlin image but that the spotlights naturally are aimed at other sectors. In first place we have here Berlin's great historical past which always resounds and which must be preserved. The city's attractiveness as a European cultural metropolis and its international flair are also of special significance.

While 76 percent of the big-city folk in the FRG replied that they love to live in their particular city, 84 percent of the Berliners said: "I love to live here." Only 11 percent would prefer to live elsewhere.

Research, Service Sectors Stirring

Bonn DIE WELT in German 18 Oct 84 p 9

/Text/ Two additional economic conferences are scheduled to be held in Berlin this year and the city hopes to draw further impetus from them. Horst Kramp, president of the Berlin Chamber of Industry and Commerce, announced to the chamber's general meeting a research conference of German industry for the middle of November. The conference of German service enterprises is to be held in Berlin a month later.

One of the goals of the research conference suggested by BDI /Federation of German Industries/ President Rolf Rodenstock is to provide further impetus for new research activities by German industry in Berlin.

The meeting of the executive boards of the major service enterprises in the middle of December goes back to an initiative by Otto Wolff von Amerongen, president of the German Industry and Commerce Conference. Federal Economy Minister Martin Bangemann invited about 65 top-ranking representatives of enterprises from all of the important service and commerce sectors to the old German capital.

According to the Berlin IHK /Chamber of Industry and Commerce/ president, these conversations are designed to clarify what is required--in view of Berlin's special location conditions--in order to persuade banks, insurance companies, department stores, engineering and consulting firms, software companies and transportation enterprises from the service sector of the German economy to include Berlin, as a site, even more in their company-policy decisions.

High-Tech Promotion Planned

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 16 Oct 84 p 2

/Text/ "Big-Tech 84--the market for new technologies" is the name of a gathering conceived by the Berlin Technical University in an effort to

make it easier for young enterprises to gain access to new markets. It will be held between 27 and 30 November in the BIG (Berlin Innovation and Basic Research Promotion Center) which, during the comparatively short time of its existence, has already acquired a good reputation for itself; 17 young firms are operating there now and by the end of the year the number will be 25. The cornerstone for the new Nixdorf plant will be laid on 6 November on the old AEG /General Electric Company/ grounds. It was noted with interest that the Japanese Mitsubishi concern wants to install a "listening post" in the research promotion center.

The following will be offered at "Big-Tech 84": Robot manufacture, drive and control systems, as well as "tailor-made" solutions for technology, industry, and science in the fields of hardware and software production, minicomputer systems, conductor plate robots, as well as new process data recording systems. The latest developments in the field of electronic equipment and system component production for the chemical, paper, mining, and steel industry sectors, such as, for example, process control instruments, trouble-detection and indication instruments, image-screen-oriented programming units, precision converters, and grid /network/ units are also included in the exhibit program. Complete solutions for control and regulating tasks (process automation, electronics, and computer controls) are to be shown by other exhibitors. Additional main points include environmental engineering, microbiology hygiene in medicine and food technology as well as some sectors of surface engineering /technology/. Besides, interested parties are offered a large number of information meetings through the Berlin AMK /expansion unknown/, the Berlin Technical University, and the VDI /Association of German Engineers/ technology center.

Venture Capital Competition Anticipated

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 24 Oct 84 p 14

/Text/ "We are not yet exactly stepping on each other's feet but we do run into each other now and again. Berlin is certainly the first city in which competition between venture capital companies will rise," predicted the business manager of one of those new financing firms which, together, want to participate in powerfully growing small and medium enterprises with the most modern products.

Practically within a single year, risk capital swept over Berlin like a wave. In the meantime, the city has gotten nine venture capital companies; seven of that number have their home office in Berlin; the other two are represented by branches and four of the companies confine themselves to partnerships in Berlin industry or prefer it. There is hardly a known bank in the city which in the meantime is not participating in this kind of fund. Well-known industrial concerns are also included often. Siemens is just as much a part of this as Nixdorf, SEL /Standard Elektronik Lorenz/, BMW /Bavarian Motor Works/, or some of the big insurance companies.

Risk capital up to DM100 million--some people even mention a figure of 200 million--can be raised through them for enterprises eager to engage in innovation--so they say. This means that the number of such companies is not only as big as nowhere else in the FRG; a by far disproportionately high share of all of the partnership capital of the FRG looking for investment activities could flow to Berlin.

The demand for risk capital also seems to grow abruptly: A research promotion scene with 200 new technology firms has in the meantime sprung up in Berlin, according to economic senator Elmar Pieroth, commenting yesterday during a discussion between partnership donors and takers. Of course, the dream of rising from dishwasher to millionaire does not come true in this sector but there are already careers, such as those of a well-educated college graduate who becomes the boss of a market-leader manufacturer with an annual sales volume of DM15 million. Not infrequently, according to examples cited during the symposium, longer-established firms are looking for partnership capital especially since the way to the stock exchange is not too cheap. Financing in this sector should be switched more from the government to private venture capital companies.

Most of the new financing companies so far obviously have made one or two partnership participation decisions. The "KBG Capital Participation Company" of the savings bank has already entered six commitments of between DM100,000 and DM2 million.

One cannot really tell exactly what triggered the wave of partnership capital in Berlin. The senate's innovation fund obviously played a role here. Over the past 2 years, that fund was used to promote 27 projects, including 18 new companies. Now that, according to Pieroth, "the impetus is being passed on in an exemplary fashion," some people in the city believe that this fund is no longer as necessary considering the large volume of available risk capital. The basic design and prototype development phase, it was said, on the other hand at the Berlin Industrial Bank, will hardly find enough support from private partnership capital in the future.

GDR Trade Assistance Urged

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 17 Oct 84 p 4

/Text/ The SPD /Social Democratic Party of Germany/ delegation in the Lower House is trying to grant Berlin industry tax benefits for its deliveries to the GDR which are similar to those that exist between the city and the FRG. A proposal along these lines, which has been pushed for quite some time by experts from the German Economic Research Institute, but which until now has been considered politically taboo, has now been made a part of a "Berlin declaration" approved by that delegation on Tuesday in the Upper House; that declaration deals above all with Berlin's industrial and job problems.

As FR /FRANKFURTER RUNDSCHAU/ was told by Hans Apel, deputy chairman of the Lower House delegation and Berlin top candidate, this form of "sales promotion" to a GEMA country should of course first of all be carefully checked for practicability and possibilities of abuse.

The paper furthermore confirms earlier SPD demands, among other things, for a stronger commitment by federal enterprises along the Spree and for diverting a part of the Bonn research promotion funds for concerns to West Berlin. In contrast to the CDU/FDP /Christian Democratic Union-Free Democratic Party/ Senate--which, concerning the city's economic development, speaks of a "change in the trend"--the SPD paper finds that "one cannot expect any lasting improvement on the Berlin labor market even in the near future." By way of documentation, Apel, in talking to the press, quoted a comment made by Federal Finance Minister Gerhard Stoltenberg (CDU) that "the increased decline in industrial jobs, as compared to the West German average, would continue" also along the Spree.

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CSO: 3620/79

FORESTRY INTERESTS FEAR DISASTROUS PRICE COLLAPSE

Hamburg DER SPIEGEL in German 10 Oct 84 pp 19-21

[Excerpts] Since last autumn, forest damage has again doubled. Forestry officials are already on the lookout for storage areas for "great amounts of log timber;" owners of forests expect a ruinous drop in wood prices.

Just how serious the situation appears to politicians who, unlike the federal government, are not intent on keeping matters quiet, is shown by an internal letter sent recently by the Hessian Ministry of Agriculture--file nr. III A2-7555-E 41--to all forestry bureaus: Because the state government expects "great amounts of log timber" due to the rapid dying of forests, Hessian forestry officials are to look everywhere for storage areas "to conserve wood."

A gigantic area is required for this. The Federal Research Institute for Forest and Wood Industry has already applied itself to the question of how much wood will accumulate if only all conifers over 50 years old were to be cut by the end of the century. Result: 6,000 million cubic meters--enough to cover the area of the entire state of Hamburg 1 meter high.

However, according to Hesse's forestry minister, Willi Goerlach (SPD), the wood from such "emergency harvests" can retain its quality for years only if it is constantly watered. Various wood storage procedures with "artificial irrigation" have been developed to the point of "practical use," according to the Wiesbaden ministry. But there is a lack of sufficiently large slopes where such timber deposits can be irrigated on a natural incline.

Thus Hesse's foresters are looking determinedly for "water storage possibilities" for the "calamity timber" (technical jargon). The length of the wish list corresponds to the expected quantities of wood: according to authorities, "artificial lakes, excavation ponds, former raft harbors, other port areas, other water areas are under consideration."

Now the state finance ministers must also acknowledge the dying of the forests; according to Bodo Baars, spokesman for the Wiesbaden forestry ministry, "the forest as a profitable state enterprise will be a thing of the past for a long time to come."

The state "wood sellers," traditionally the pets of finance ministers because of their regular profits, ended fiscal year 1983 with losses in the millions for the first time--so far in the two-digit range, "in the future probably in three digits," fears a Stuttgart forestry official.

Just like private owners of forests, state foresters are also dependent on the price structure for round timber, which has been falling rapidly since the forests began to die: with the emergency harvest of dying trees, the supply is rising; the result, according to Goerlach of Hesse, is a "price collapse" which could only be slowed down through long-term emergency storage.

It remains to be seen whether Goerlach's calculation will work out, since the "emergency felling" due to the dying of the forests also throws out of kilter the supply structure of wood types. A rule of thumb by Gerhard Heider, executive secretary of the Associations of German Saw Mills: "Twenty percent of emergency felling can be absorbed; above that level it affects the market."

This critical borderline is already being crossed this year. "We can forget about long-term felling plans," says Hesse forestry spokesman Baars.

Last year, the foresters of Baden-Wuerttemberg had 26 percent of their timber felled in stands which were not even included in the harvest plans.

It will be even worse in the Black Forest and the Odenwald: according to the latest study, at least every 50th tree is classified as "damage stage 3" and must be felled immediately, out of turn.

A forester of east Hesse, who has come to similar conclusions about the timber stands of his area, calculates that this is "easily equivalent to the timber felled in 1 year." The forest owners' association also expects that "the price for timber will hit rock bottom."

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CSO: 3620/74

SHARP RISE IN EXPORTS TO JAPAN, U.S. SURPRISES EXPERTS

Hamburg DIE ZEIT in German 12 Oct 84 pp 25, 26

[Article by Wolfgang Gehrmann: "An Uncanny Boom"]

[Text] The wise men went right along with the crowd. Convinced by the pervasive mood that the drawing power of "Made in Germany" was coming to an end in world markets, the Council of Economic Experts did not want to predict any great success for the German industry abroad last fall. Only by a tired four percent, according to the economics assessors, would export from the Federal Republic grow in 1984

Only a few months later the five leading economic research institutes explained in thorough structural studies why the German industry was falling behind internationally. Too high wages, too low profitability, a surplus of subsidies for old industries, and too little activity in the high technology areas, for example, is what the Institute for World Economics in Kiel predicted would destroy the future chances of the German firms that had up to then been strong in exports in global competition

But then only a few months after this, the pessimistic researchers found themselves the objects of biting ridicule. Seldom, it seems, have the economic experts missed the boat by so much in their predictions: German industrial exports are booming now as in the best of times.

While the scientists in Kiel and elsewhere continue to dispute about their errors, the managers of Lufthansa are planning additional flights with jumbo freighters so they can deliver the large numbers of goods from Germany on time. Since the beginning of the year, two additional Boeing-747 cargo planes have started every week to the U.S. From November on there will be two more.

Above all from the U.S., orders are streaming in to German export firms. By July almost 25 billion marks worth of goods had been bought in the U.S. -- almost 50 percent more than a year ago. Since the imports from the U.S. at the same time have only grown by 12 percent to 18 billion marks, the German favorable trade balance with America shot up to almost seven billion marks. Last year it didn't even reach a billion.

The total German export grew between January and August by 13 percent to 313 marks, the excess trade balance was with 27 billion marks as high as last year.

But over a quarter of the German export surplus resulted from trade with the U.S. But the exports to Japan, too -- still the fear-inspiring opponent of German industry -- rose by a noteworthy 28 percent.

The huge market between New York and San Francisco is at present the dorado of our exporters for two reasons. Since thanks to the care in Ronald Reagan's monetary economic policy in the U.S. the economy is having the ~~strongest~~ boom since the Korean war, the heads of U.S. firms are ordering new machines and industrial goods en gros. Since at the same time the dollar has gained hugely in value against the mark, the "Made in Germany" goods have become cheaper for the American buyer -- a fact that stimulates their desire to order.

The dollar blessing hits German industry in all ranks and classes. Boards that are used to success are writing proud balances with hardly concealed joy. Firms that only recently were undergoing crises are surprisingly blossoming again. Both large and middle sized companies are profiting from customers overseas who are eager to buy.

It can scarcely be a surprise that the chemical industry of the Federal Republic is taking part in the upswing in the U.S. Their managers have systematically opened up like no others the markets in the U.S. Although the dominating firms such as Hoechst, Bayer, and BASF are achieving by far the largest share of their U.S. business with products that are produced in their own factories on the other side of the Atlantic, the deliveries from the Federal Republic grew by almost five percent in the first half of 1984.

"Never," rejoiced Volker Kalisch, spokesman of the Chemical Industry Association, "have so many German chemical products been bought abroad as today." Not just in the U.S. have the chemists from the Rhine had their pleasure in the Reagan boom. In all significant world markets they are suddenly doing good business thanks to the U.S. economy. The American chemical industry -- above all, DuPont and Monsanto, Dow Chemical and Union Carbide -- is their strongest competitor. The American chemical firms exported in 1983 in the amount of 23 billion dollars, the German firms in the amount of 24 billion dollars. But since the American competitors are now serving the booming home market, the German chemists are doing well in markets in the Far East and in the Third World. Moreover, thanks to the high dollar, they find it easy to underbid any competitors showing up from the U.S.

Other industries are doing about as well in exports as the chemical industry. The machine tool industry, for example, delivered this year far over 30 percent more textile, tool, synthetic products, or pressure machines to the U.S. The electronics industry is experiencing a similarly strong export blossoming -- from electronic building blocks to a complete telephone system the list of deliveries runs.

Industries are also participating in the export boom that previously seemed to be producing proof that the international competitiveness of German industry was already lost: the producers of steel and textiles. In the first half of

this year the steel companies exported 20 percent more, but in the U.S. and the rest of the dollar area their exports grew by 57 percent.

The textile industry was increased its exports by 17 percent. Since this industry has rigorously made itself more efficient -- between 1980 and 1983 their productivity rose almost twice as rapidly as that of the rest of the processing trade -- it now seems to be able to hold its own again in international competition.

Even industrial sectors that traditionally by no means belong to the advance guard in German export offensives are bragging at present of their export successes -- first of all the food producers, who have doggedly set out to conquer America. Cookie manufacturers and brewers, vintners and cheese factories, are all doing fine in the U.S. on a high gourmet wave -- or on what America's consumers consider to be one

The alluring export opportunities are not an unalloyed reason for joy to all managers. In the auto industry one regards the export boom with a laughing eye. For even more than they are rejoicing about the super demand from the U.S., the heads of Daimler and Audi, of BMW and Porsche, to regret the dollar business they are losing. Since they were set back in spring in production because of the strikes, the German auto factories cannot now even begin to satisfy the demand in the U.S.

Although Daimler, for example, originally calculated it would sell 80 thousand cars in the U.S. this year, the firm can now be satisfied if they again reach last year's turnover of 73,000 vehicles. The lost business is all the more painful since the high dollar exchange rate allowed for the prospects of exorbitant profits. On the average a Mercedes costs 33,000 dollars in the U.S. At a dollar exchange rate of 2.30 marks, the firm would therefore have taken in 75,900 marks a car. But at a rate of three marks per car Daimler can cash in a fat 99,000 marks. If the dollar stays at a yearly average of 2.70 marks in relation to a base figure of 2.30 marks, then the seven thousand cars not sold mean a lost extra profit of 90 million marks

This calculation shows how hard the Stuttgart auto firm has been hit by its own inability to deliver. Like other enterprises, Daimler is also insuring its foreign trade against currency shifts with exchange insurance businesses. Whatever protects from exchange losses in an upward valuation of the mark, also reduces possible exchange rate gains in case of a devaluation.

Nevertheless it is certain that the German exporters are making lots of money from the high flight of the dollar. For only theoretically does the mark devaluation make German products in the dollar area cheaper according to the measure of the exchange rate change. In fact, many German deliverers are using their exchange rate advantage to make solid price rises -- large firms do not act any differently here than do middle sized ones.

Hoechst, for example, raises its prices to ordering companies in the dollar area for chemical filaments -- and still remains less expensive than American

competitors. The small Hamburg machine tool factory, Ixion, has raised its prices in the U.S. by ten percent and still doesn't have to worry about its turnover. Ixion manager Maximilian Klumpp says: "If we wanted to, we could easily raise the American share of our turnover from the present one percent to 30 percent."

Some people, to be sure, are not so pleased with the large profits of the German exporters -- the economists, who at the beginning of the year had seemingly falsely diagnosed the international competitive weakness of German industry. They fear that the unusual export pull from the U.S. is only veiling the truth of the structural problems of the home economy. Much too large a share of the blossoming export trade is being done with just any kind of product. If the U.S. economy stagnates, the German industry will again be there where it was two years ago. Klaus-Dieter Schmidt of the Kiel Institute for World Economy therefore does not believe he has to revise his judgment. "We look at things today not much differently from the way we did before the boom."

9124

CSO: 3620/72

SIZE, ADAPTABILITY SEEN A KEY TO INDUSTRIAL SUCCESS

Paris LE NOUVEL ECONOMISTE in French 1 Oct 84 p 82

[Article by Bertrand Larrera de Morel, Director of Credit National: "Business: The Success Circle. Better to be Small and International than Big and National"]

[Text] Le Credit National has just published a study on successful business ventures which backs up with statistical evidence what experience and common sense suggest. Success being defined by the authors of the study as the achievement of a good grade on a number of criteria (profitability, rising turnover, investments), few businesses make it (16% of the sample). While there are many healthy, flourishing businesses in France to-day there are also, unfortunately, more sick or lackluster ones.

The divergences between the successful and the less successful ventures are enormous. Thus it is, looking at only one of the criteria profitability of capital invested in those firms that lead the field is four times greater than for those bringing up the rear: 25% for the former, 6% for the latter. What is so surprising about that in the harsh environment of the French business world? When the Tour de France starts up the mountains, the pack begins to stretch out.

The sector of activity has only a moderate impact on the performance of any given industry. This verifies the popular observation that prosperous businesses are found in those sectors reputed to be difficult and mediocre ones in the more promising sectors.

On the other hand, there is a strong relationship between the size of the undertaking and success achieved. Small and medium-sized firms obtain better results than the big ones. Thus, companies with more than 1,000 people on the payroll have a markedly lower profitability than the others (11% and 18% respectively). Medium-sized companies, employing between 300 and 1,000 people, are proportionally more numerous in the group of successful industries than in the general sample. These figures corroborate the findings of many studies: when the surface of a firm (its capacity to communicate with the outside) grows, its volume (its structures) grow proportionally more and therefore it weighs itself down. More simply stated, a small structure transmits information to the center more rapidly and at less cost and makes possible a faster and more

flexible reactivity to the outside environment. Industrial dinosaurs have strong predatory powers but a small capacity for adaptation.

Retaining a large part of the market leads to success. The survey shows that in fact successful enterprises generally hold larger shares of the international and national markets than the others. Incidentally, it is interesting to observe that the largest shares of the market are held by those firms having between 100 and 300 employees. This result, apparently paradoxical, takes into account these small firms' very narrow specialization but also their worldwide outlets.

The idea of specialization carries the necessary corollary that it is impossible to be everywhere in the marketplace and that France's industrial policy cannot come just from a simple reading of deficits in its commercial balance-sheet. The correlation between profitability and investment, as well as research, appears very close indeed. Those firms having the highest profitability invest nearly twice as much as those with the lowest.

So a circle of success can be seen, each step linking to the next in this manner: with a steady research and investment policy a firm, generally of "human size," will take or will keep a large slice of its market. This relatively dominant position will allow it to loosen the stranglehold of prices and have satisfactory margins. The resulting profits allow it to pursue a policy of research and investment which...and it comes full circle.

Profit, therefore, is not an end in itself for a business venture but just one element in a circular whole which will disappear if one of the links should break.

12687
CSO: 3519/054

FOUNDRIES TO PRESENT SERIOUS COMPETITION WITHIN EEC

Paris L'USINE NOUVELLE in French 30 Aug 84 pp 15-16

[Article by Daniel Coue, special correspondent in Portugal]

[Excerpts] The integration of Portuguese foundries into the European Common Market represents both an opportunity and a challenge for them. Despite their backwardness, which they are striving to mitigate, the low level of wages and their know-how make the Portuguese foundries serious competitors.

Within a few months of Portugal's entry into the European Common Market, the country's foundries are moving on the double--including in terms of investments--to adjust to the event.

This wave of modernization is symbolized and propelled simultaneously by two events whose scope transcends national borders. First, there was the putting into service at the end of January 1984 in Farnoes, a Lisbon suburb, of a new steel foundry by the COMETNA [National Metallurgical Company]--a major project which will increase the annual capacity of this nationalized enterprise from 5,000 tons of cast steel in 1983 to 15,000 tons in 1986 without an increase in personnel (500 workers).

It is true that this investment (\$50 million), financed to a large extent by a loan from the World Bank, is justified by the imminent launching of the three government programs in the iron-and-steel, energy, and mining sectors. But Jorge A. Dias Costas, technical director of COMETNA's foundry division, confirms that "this decision was also justified by the growth of exports." In 1983, COMETNA already exported directly 40 percent (and indirectly 60 percent) of the 1 billion escudos worth of sales realized by its foundry division, principally to the United States, Canada, Britain, and Sweden. And it is precisely European markets (the French market in particular) which are beginning to open up.

Another striking fact is the forthcoming creation of FUNFRAP which will produce, beginning in 1985, 9,000 tons of GL and GS cast steel. This foundry will reach its maximum capacity (18,000 and 20,000 tons, respectively, a year) around 1988. The result of an investment of 4.8 billion escudos, this plant which will employ 300 workers at Aveiro in the Porto region is in fact a creation of Renault which holds 85 percent of its capital together with the Portuguese National Investment Institute. The state enterprise tries essentially to meet the needs of its affiliate, Renault Portuguesa, substituting supplies which have been imported so far from Spain and France.

Exports: The Difficulties Will Soon Be Overcome

Integration into the European Common Market represents simultaneously an opportunity and a challenge for the Portuguese foundries. The few (rare) hitches to Portugal's exports to the European Community will be overcome. This could increase significantly sales abroad (to the United Kingdom, the United States, Sweden, Canada, and France primarily) which already account for about a third of the 90,000 tons produced annually (50 percent if indirect sales are included). Will the business be able to survive?

For the initial weakness of the Portuguese foundry sector is indeed its underdevelopment. This is especially true regarding ferrous metals. There are some 100 foundries employing 7,500 workers and producing no more than 85,000 tons. This averages barely 10 kilograms a year per Portuguese inhabitant compared to 36 kilograms in the EEC, 34 in Spain, 53 in Eastern Europe and Japan, and 70 kilograms in the United States. The Portuguese output is limited to an average of 12 tons a year per worker compared to 24 tons in Britain, 36 tons in France, and 39 tons in Italy.

To Develop and Promote Its Own Products

The major asset of Portugal's foundries thus continues to be the low wages paid there: 25,000 to 45,000 escudos a month (gross, including bonuses), depending on skills--that is, the equivalent of 1,450 to 2,600 francs a month! To this must be added some 30 percent in fringe benefits. In all the enterprises visited during our inquiry, labor costs account for 25 to 30 percent of the aggregate as against some 40 percent for energy and raw materials.

2662

CSO: 3519/12

SHELL DIRECTOR ON OIL REFINING CAPACITY IN WEST EUROPE

Rotterdam NRC HANDELSBLAD in Dutch 10 Oct 84 p 9

[Article by Wubbo Tempel: "Closings Unavoidable in European Petrochemical Industry. Shell Director Van Duursen on Saudi Arabia's Arrival in the Market"]

[Text] Rotterdam, 10 Oct--The expected entry of Saudi Arabian chemical products on the Western European market next year makes further shrinkage in the Western European petrochemical industry necessary, and it will be impossible to avoid closing a number of less efficient European production units. That is how engineer P. Van Duursen, director of Shell Nederland Chemie, sees the situation.

"Keep a cool head" is the Shell boss's motto. "If the Western European companies panic, ugly things could happen." By this he means primarily that there could be a price war that "would make profits unacceptably low for everybody."

Van Duursen's "important message" is that "Middle Eastern production does present a threat. You cannot deny that. You can run away from it, but you can also get on with the restructuring, and see that the process of rationalizing Western European plants goes on. The shrinking process has come to a standstill, but if we can get it going again, then there will be room for Middle Eastern production. It is not a pretty picture, but we will have to live with it."

It has long been known that Saudi Arabian ethylene-based products such as polyethylene and monoethylene glycol were to come on to the Western European market in 1985, but now the time is gradually getting closer and closer. Saudi Arabia has been at work on the construction of chemical plants since 1973. Among other things, these will produce ethylene, a raw material for plastics.

The plants are almost ready now. (Among the companies involved in the work was Shell Oil--Shell's U.S. branch--which participated to gain entree in Saudi Arabia.) According to Van Duursen, the plants can come on stream in mid-1983. "At any rate," the Shell boss says, "the projects have not fallen behind schedule."

Competition

Experts agree that this new competition from the Middle East will greatly increase existing problems of overcapacity, especially among Western European chemical plants. Last week in England, Rien Walle, head of Shell worldwide, again gave vent to his feelings on this point when he said that he is afraid of a "bloodbath" in the Western European market.

According to Van Duursen, director of Shell Chemical's Netherlands division, one has to distinguish between the actual ratios and the way one looks at them.

"If you ask how serious all this is, there are two things to consider. First, what the perception of the market is, and second, you have the actual figures, which could be a lot worse. In 1990, Middle Eastern ethylene production will amount to 16 percent of Western European production. For polyethylene, it will be 13 percent, for PVC [polyvinyl chloride] 8 percent, and the rest is even less."

"I am not trying to minimize the 16 percent, because that is quite enough, of course. But the perception is much more important. If people set prices that do not even cover direct costs, or if governments or big brothers subsidize loss-making activities, then you can expect real problems."

Van Duursen points to the shrinking of the Western European petrochemical industry begun in the early 1980's because of overcapacity in the mature market.

Shell Nederland Chemie too made its contribution to this effort. "Among other things, we closed the cracking unit in Pernis, and remember, that was exactly 20 percent of our cracking capacity in the Netherlands."

According to the Shell boss, this shrinking actually stopped too soon, because the plants became busier on average, primarily as an indirect result of the U.S. economic recovery.

"We should get on with it again from where we left off at the beginning of 1983." What Shell has in mind is for the market to rid itself of older, unprofitable, or less profitable production units. No quote system, or "shared misery," as they call it in the industry. "No," says Van Duursen, "that usually keeps unprofitable companies going too. They have to be closed down. The most profitable companies have to survive."

Interference

Subsidies from the state or parent firms interfere with such a process, according to Van Duursen. "The state holds an interest in part of the industry, around 30-40 percent of it," he says. "Well, if in order to maintain employment or for some other reason the state keeps a company alive, then it holds the process up by doing so. Here at Shell we do not forget the social aspects of course, and we will try to find places for workers

somewhere else, but still for us that is not the main point to be considered."

If everything goes the way Shell hopes, then part of the Middle Eastern production will be sold on the Western European market and the rest in other parts of the world. For Europe, Van Duursen says, "the rationalization really was necessary. Take ethylene: capacity had been 17.5 million tons but fell to 15 million after the first rationalization. Demand is around 10.5 million. If plants are to run at 80 percent of capacity, you still have to get rid of over one million tons, or even more now."

It may be possible to prevent a price war, since Van Duursen thinks the Saudis will not set out in advance to disrupt the market. "They will be very aggressive but will not just lower prices no matter what the cost. Then the whole market falls, and they have to keep their own cash flow in mind too. Their income from the raw petroleum is already dropping too."

Van Duursen was asked whether in hindsight it was smart for Shell to do business in 1973 with a future competitor. He replied, "Oh, of course I could say that if we had not done it, then someone else would have. It is high-grade technology but not exclusive to us. But of course that is not much of an answer. No, I can say that we took the step with our eyes wide open. We saw it as a challenge. We also acted a bit on the principle that we want to be involved wherever there are cheap raw materials. There is opportunity there."

"There is also the question of dividing up prosperity, of sharing prosperity with the other people in the world. That is really part of it too."

"And if you ask then whether this costs jobs in Western Europe, of course the answer is 'yes.' However, we must not forget that direct employment in the chemical industry is not high, relatively speaking. The jobs are primarily in the investment stage. In Western Europe we will have to create jobs now in informatics, for instance. There is a great potential for jobs there. These developments are actually quite logical. We cannot wait for next year's developments with our heels dug in the ground."

12593

CSO: 3614/15

NUCLEAR OPTION POSTPONED

Lisbon EXPRESSO in Portuguese 5 Oct 84 pp 18-19-R

[Comment and review of "Plano Energetico Nacional--Uma Visao Critica" [The National Energy Plan--A Critical View] published by the Youth Section of the Institute for Social Progress and Democracy; Social Progress and Democracy Publishing House; September 1984, 140 pp, 600 escudos; by Jose Manuel Fernandes: "Nuclear Option: The Response to Extortion"]

[Text] Technical complexity and low cost were the great arguments of the advocates of nuclear energy. Now, the tables are turned; at the present time, it is the "dossiers" of the antinuclear proponents that are more sound.

1. When, early last year, the then minister of industry, Baiao Horta, presented the National Energy Plan (PEN), few would have doubted the inevitability of the "nuclear option." The spectacular staging and the "technical" weight of more than 1,000 pages of graphics, estimates, budgets and plans seemed irretrievably to relegate the adversaries of nuclear energy to a marginal, idealistic and ecologicistic ghetto.

Later, when the new government was formed and one saw Baiao Horta replaced by Veiga Simao, one of the persons principally responsible for the PEN and a convinced nuclear advocate, at the same time that other known advocates of atomic power production, such as Alvaro Barreto and Carlos Melancia, were also ministers, it was believed that the definitive approval of the order for the first power plants was only a matter of time. Time enough, moreover, to stage the national debate which both the Socialist Party (PS) and the Social Democratic Party (PSD) had promised the country during the election campaign and to fine-tune some details of the PEN.

The minister of industry was then a confident man who believed he had everything ready, including the blessing of parliament, before the end of 1983.

However, nothing went according to plan. First, the adjustment of those details proved to be much more complex and sensitive than many would have wished, forcing drastic reformulations in the structure of the plan. That is, it quickly became evident to the experts who continued to work on the revision of the PEN that many of the premises that had been taken as a point

of departure were untenable, that the Portuguese economy was not growing at the anticipated rate and that some of the estimated costs were in error. Furthermore, the recent evolution of the Portuguese economy had already refuted some of the plan's predictions, hence, made its growth targets impracticable, made obsolete its forecasts of energy consumption requirements and, consequently, of the need for the introduction of nuclear electric power. At the same time, the honesty of the majority of the experts who collaborate in the PEN could not permit them to remain indifferent to the many points of criticism that were made against it, so that what some had wanted to be a cosmetic operation became a serious study of revision of the plan.

Later, the public, too, did not remain indifferent, adopting positions and participating in the debate in an almost unexpected manner, since the protests and criticism came from sectors which were not at all unconventional. The process of public criticism and debate had perhaps its greatest expression in a signed manifesto published in various newspapers, which included political and civil representatives of the whole social and party spectrum and of many persuasions. What had been thought to be the craze of impassioned young ecologists was after all the concern of basic sectors of Portuguese society.

2. But this invasion of political terrain formerly considered marginal did not stem merely from the efforts of half a dozen intellectuals; rather, it reflected a new reality in this type of debate, a reality that led to relegating the political aspects and favoring the technical arguments.

If one carefully reads the text of the manifesto and the essence of the articles published in the press, rarely does one find the emotional anti-nuclear arguments that cite the Three-Mile Island nuclear disaster in every other sentence. Rather, we see emerge the technical arguments that combat PEN's ideology on its own ground.

In fact, one of the big arguments of the nuclear advocates was that, coolly analyzing the figures, nuclear energy was cheaper, safer, less polluting and guaranteed greater national independence. For that reason, it was considered inevitable, as was demonstrated in a thousand-odd pages of charts, graphics and figures. In other words: nuclear power barricaded itself behind a wall of technical arguments--the more complex, the better--in view of which the layman should listen, accept and keep quiet. All of that was too complicated even to discuss.

However, it happens today that no longer can anyone manage to present figures and graphics favorable to nuclear energy without distorting or conditioning the basic data. And it was to that very fact that attention was called when a megalomaniacal prospect of economic growth was challenged, when the figures that were taken as the base for the calculation of nuclear energy costs--which were extremely favorable and unrealistic--were refuted, and when this very simple question was asked: "And where are we going to get so much money to build so many power plants?"

3. That was another of the key-points of the debate. In fact, carrying out the construction of the power plants envisaged for 2010 in the second version of the PEN--now a more moderate one--still required something like 2 billion contos. And if by chance it were possible to get all of that money and everything went well, with the power plants ready on the dot, we would reach 2010 without having anywhere to use the electricity generated in the reactors because all of the financial effort had been channeled in a single direction. In the meantime, the electricity subsector, which accounts for only 20 percent of the final energy consumed in Portugal would have absorbed 75 percent of the investment during that period.

This means that to opt to build four nuclear power plants in Portugal--the number called for in the revised 1984 version of the PEN--would condition our industrial development at the same time that it would impose an outdated model of growth still based on industries having a high energy component--steel, cement, petrochemicals--which are in regression and in crisis all over the world.

Basically, in the medium and long term, the nuclear option would condition the future of the country without the Portuguese being aware of it, let alone debating it. Another white elephant would be created, the cost of which future generations would have to bear, as today we are bearing Sines, for example.

4. And the strangest thing in the course of this whole process is that the roles ended up being reversed. When one was expecting the criticism aimed at nuclear energy to be political, it took on a technical, detailed and precise form. In the Council of Ministers itself, the roles were reversed and it was the Ministry of Quality of Life who resorted to the figures while the Ministry of Industry distributed vague and imprecise documents to his colleagues. In the meantime, the work of revision of the PEN, conducted with more seriousness and technical care was indicating solutions that forced the secretary of state for energy to issue a directive determining the policies and conclusions that should be reached--which is unprecedented and almost surreal.

Now it is the adversaries of the nuclear option who are entrenched behind graphics and figures and who brandish arguments with as much weight as the conclusions of a World Bank mission, which are essentially contrary to those of the PEN.

Thus, it finally ensued that the performance of the Ministry of Quality of Life team--Antonio Capucho and Carlos Pimenta, and in the final stretch, Sousa Tavares--by its firmness and precision, was much more effective than the oft-expressed antinuclear professions of faith on the part of Ribeiro Teles.

5. All of this is apropos to the study now published by the Youth Section of the Francisco Sa Carneiro Institute for Social Progress and Democracy. It is an outstanding work on several counts.

First, because above all it is an extremely simple and instructive work, almost a manual for beginners. Instead of taking refuge in complicated concepts, this study seeks not only to analyze the plan but to introduce the reader to the complex realms of energy planning. Thus, it begins by explaining what energy planning is, illustrating it with various European examples. Afterwards, it draws a panorama of the current Portuguese situation before introducing the reader, in a third chapter, to the various systems of production of electricity, giving him a basic idea illustrated with diagrams of the different technologies employed, from gas turbines to nuclear reactors and including the hydroelectric system. Any of these first three chapters could easily serve as university or secondary school study materials.

Only afterwards does it go into the detailed analysis of the 1984 version of the energy plan and its criticism. The latter is focused especially on the nuclear option inasmuch as the formulation of the PEN itself transforms it into a plan for the electricity subsector and, with that, into the justification for the introduction of atomic energy.

Various points of criticism are made specifically regarding the underlying model of development which, despite the progress that has been made between 1982 and 1984, continues to consider a type of development for the Portuguese industry that is highly energy-consuming and which in 2010 will make us spend as much energy per unit of Gross Domestic Product (GDP) produced as that currently being spent in the EEC, when the international trend is toward the sharp reduction of that energy intensity of the GDP.

It continues by considering the impact on the economy by such a colossal investment, which would naturally absorb a large part of the available financial resources for investment in industry.

Even so, only in one of the three strategies considered--the most optimistic as regards our development--would the introduction of nuclear power become inevitable, but only at the turn of the century.

Finally, this study reveals the shocking distortion of the base figures designed to favor nuclear energy in calculating costs. In fact, in order for it to be more economical to produce electric energy in a nuclear plant than in a coal-fueled plant, it would be necessary for us to build our first reactor precisely on the established schedule (and look at what happened in Italy, Spain or Brazil), for the updating rate (an index that gives us an idea of the value of the money) to evolve in the most favorable manner and also for our reactors to operate better than the world average. Everything would have to be a bed of roses.

On the other hand, the costs of the coal-fueled plants are inflated, putting them into operation worse than the world average and considering fuel costs that are incorrect, because they are inflated.

Even so, even manifestly favoring nuclear energy, the final figures for cost per nuclear or coal-fueled KWH came together in an indeterminate economic area, which at least invalidates recourse to the argument that nuclear energy is cheaper.

Another curious element introduced in this study is the comparison of costs between pressurized water reactor (PWR) plants--the type the PEN always refers to--and the Canadian CANDU's: the fact is that the latter, in addition to being more economical, operate with unenriched uranium, which we have, and not with enriched uranium, which we will have to import. So why does the PEN ignore the CANDU possibility?

6. That question introduces another of the great questions put into focus in this book, that of the lobbies. In fact, the World Bank experts had already noted the leaning of Portuguese officials toward French-built power plants, while this year we had the opportunity to attend two impressive marketing shows by German and American manufacturers.

It is the old dance of the interests at stake, interests that are spurred on even more by the recession of the nuclear industry and by the difficulty the manufacturers are having in finding someone to order their power plants.

At the same time, the funds at stake are so high that, as one of the persons responsible for this publication told us sarcastically: "If one were to distribute a commission of merely 3 percent--which is very little in terms of the international average--it would still be enough to hand each deputy about 175,000 contos...."

That is why, despite the fact that the PEN has been postponed for the time being and a definitive option on the introduction of nuclear power has been put off to the end of this decade, the concern of the authors of this study has not died. And it has not died for two reasons: on the one hand, because many thousands of contos continue to be channeled into research in the nuclear area and into the training of specialized technicians; on the other, because, as Pedro Pinto, the leader of the Social Democratic Youth (JSD) and author of the introduction to the study, said: "The parliament we have approves everything the party leadership tells it to approve, not attaching any importance to a public debate which, moreover, is not taking place."

That is: nuclear power can still slip through the back door, thoughtlessly approved by those who do not understand that to put our stakes on that course is also to mortgage the country's future to an obsolete development model and tie our industry in a financial strait-jacket.

Since, unfortunately, we do not even have the possibility of recourse to a referendum, it is well at least that books such as this continue to raise the collective awareness.

8711

CSO: 3542/13

BRIEFS

SWISS EQUIPMENT FOR ATATURK PLANT DETAILED--Brown, Boveri and Company, Baden, together with its subsidiaries BBC-Mannheim and Tecnomasio Italiano Brown Boveri, Milan, is the sole supplier of all electrical power plant equipment for the Ataturk 2,400 megawatt water-power plant. Included are eight water-power generators of 300 megawatts each, the 380/154/34.5 kilovolt high-voltage equipment and the necessary control and supervisory equipment. Sulzer-Escher Wyss Inc, Zuerich, and Escher-Wyss Ltd, Ravensburg, are furnishing eight Francis turbines, including dampers and the engineering of the pressure lines. They are to be manufactured by the Georg Noell Inc, Wuerzburg, and the Voest Alpine Inc, Austria. The Ataturk power plant is being built as part of the program to utilize water power of the upper Euphrates river, about 80 kilometers from Urfa in south-eastern Anatolia. The plant is expected to produce 2,400 megawatts, and the average annual electricity output is planned to be eight billion kilowatt hours. Caption: Bird's eye view of the Ataturk water-power plant. It will produce 8 times 300 megawatts, and its annual electricity output will be about 8 billion kilowatt hours. [Text] [Wuerzburg ELEKTROTECHNIK in German 24 Aug 84 pp 12, 14] 7994

CSO: 3620/92

FISHING AGREEMENT WITH SPAIN DENOUNCED

Lisbon A TARDE in Portuguese 3 Oct 84 p 3

[Text] According to its official spokesman, the Spanish Government received with surprise and concern Lisbon's decision to denounce the bilateral fishing agreement. Unofficial sources hastened to suggest, however, that the denunciation is based merely on reasons of an electoral nature.

"It is a gratuitous gesture that can only relate to Portuguese domestic problems and the idea that a slap at Spain gains votes in Lisbon," maintained Spanish diplomatic sources.

According to the official spokesman of the Spanish Government, Eduardo Sotillos, the denunciation of the fishing agreement hampers the holding of the bilateral summit announced for this autumn and the visits of various Spanish ministers to Lisbon scheduled for the next few weeks.

The official note denouncing the agreement was received at the Spanish Embassy in Lisbon on 26 September and a personal message from Mario Soares to his Spanish counterpart, Felipe Gonzalez, was delivered on the same day in Madrid, explaining the reasons for the decision. The message was delivered in Madrid by one of Mario Soares' aides.

In the opinion of Madrid diplomatic sources "the personal message from Mario Soares to Felipe Gonzalez, which cites national interests, does not present convincing arguments" nor "are economic interests evident" in that attitude inasmuch as the Spaniards have not fished in Portuguese waters for practically 2 years." However, that statement is groundless because it is known that the Spaniards have violated Portuguese territorial waters over and over again and the Portuguese Navy has frequently been forced to seize trawlers of the neighboring country.

Trade Relations May Worsen

The Spanish Government has more than once tried to use the negotiations on trade relations as bargaining chips in connection with the fishing dispute.

According to Portuguese Embassy sources in Madrid, increasing difficulties in trade relations may thus be the first result of the denunciation of the fishing agreement.

"If up to now the documents with requests for the import of Portuguese goods have been held up for months, now the Spanish Ministry of Commerce will block Portuguese exports as much as possible," stressed the same sources.

For months, Portugal and Spain have been negotiating the harmonization of bilateral trade relations in anticipation of the EEC. The negotiations have been proceeding within the framework of the agreements which the two countries maintain with EFTA and, according to Portuguese sources, were close to conclusion.

Lisbon Explains

statements to Radio Renascenca and Antenna-1, the secretary of state for fisheries explained that the denunciation of the agreement with Spain goes into effect in 1 year, and considered also that Portugal "does not plan to cut its fishing relations with Spain but merely to adapt it to the reality of membership in the EEC."

Notification of the denunciation has already been forwarded to the Spanish Government, Portugal arguing that "many of its clauses clash with Community law itself.

"Portugal may join the EEC in another situation and in another framework of bilateral agreements and define its position vis-a-vis the Community with much greater strictness and interest," added Faria dos Santos.

The fishing agreement with Spain the denunciation of which has now been decided by the Portuguese Government was signed in September 1978. Like other agreements and protocols, the 1978 agreement had as its basis a fishing agreement between Portugal and Spain signed in 1969 for a duration of 20 years. Nevertheless, the Portuguese authorities regard the 1959 agreement as superseded, considering the restoration of international maritime law.

In practice, the denunciation of the 1978 agreement by the Portuguese Government is not going to change the fishing situation between the two countries because the Spaniards have been prevented from fishing in Portuguese waters since early 1983. As a matter of fact, the 1978 agreement represented only a mechanism for harmonizing fishing relations between the two countries the implementation of which was established in a protocol having a term of 1 year.

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